



# Multistate Regulatory Initiatives

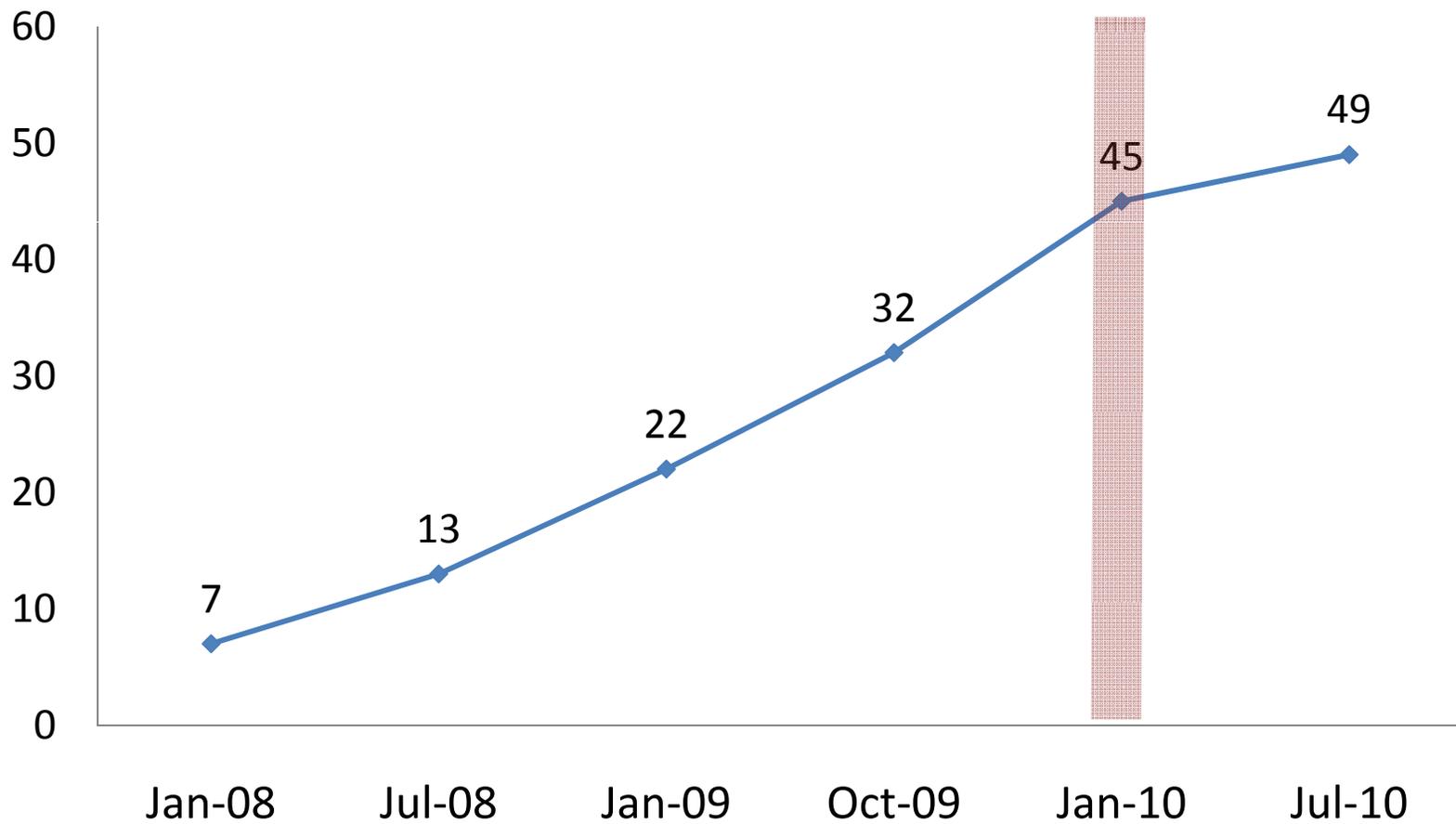
Mark Pearce

President, American Association of  
Residential Mortgage Regulators

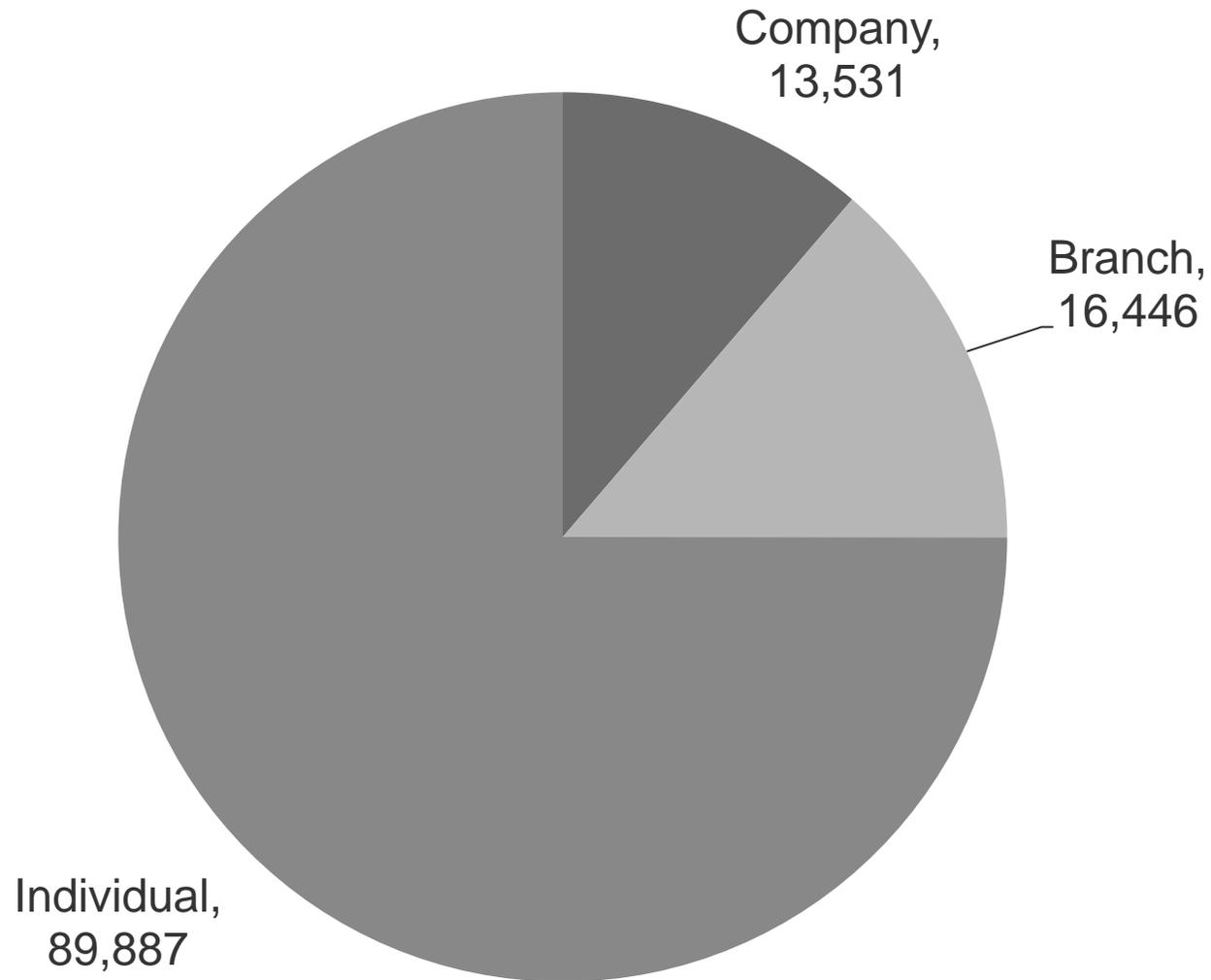
Chief Deputy Commissioner of Banks  
State of North Carolina

# State Licensing of Non-banks

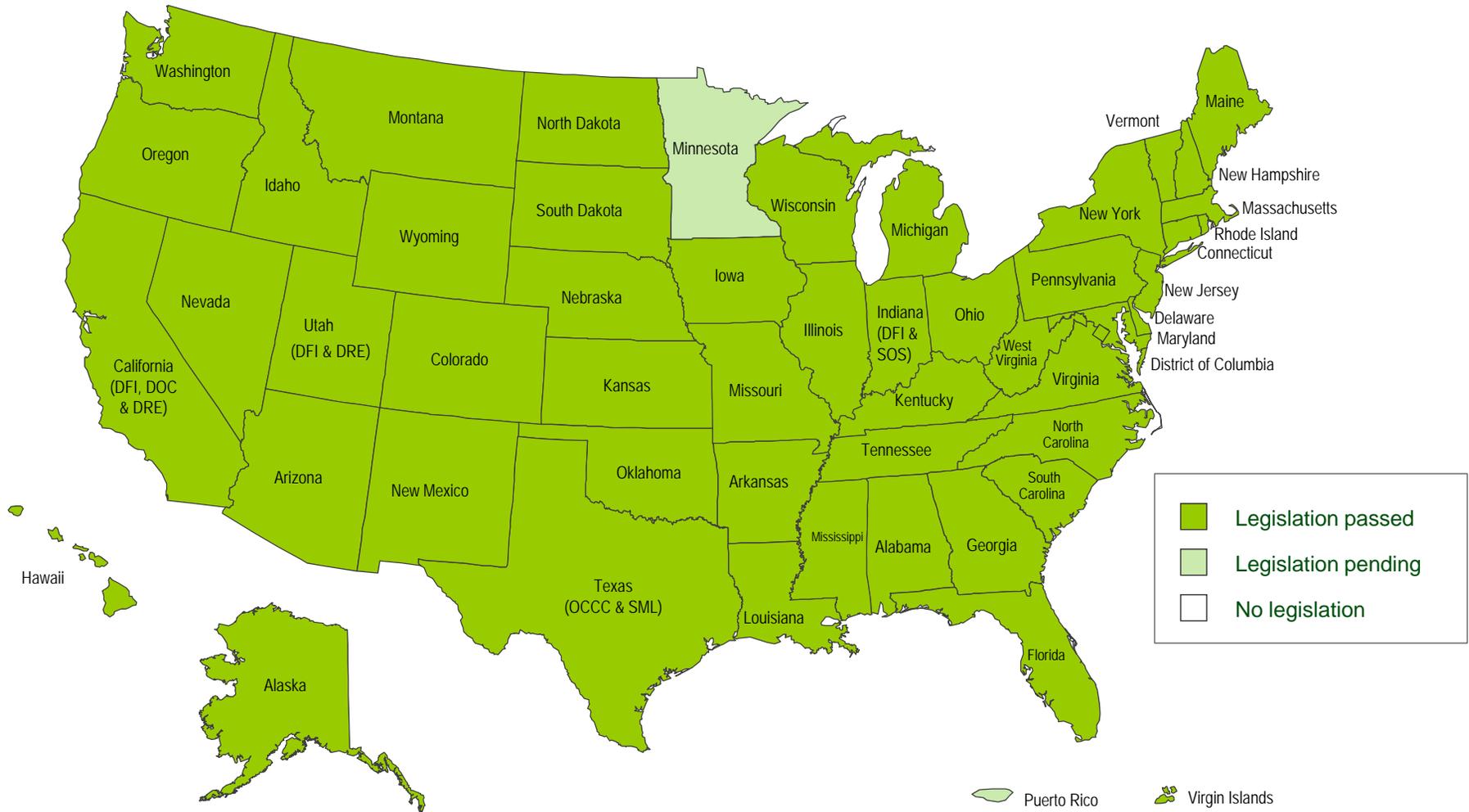
# States in NMLS



# NMLS Population



# State SAFE Legislation



# Major SAFE Act Issues



- Boundaries of Licensure Requirements
  - Non-profits (Habitat)
  - Contract underwriters and processors
  - Servicers and loss mitigation staff
  - Loan modification companies
  - De minimis exceptions for various professions or transactions
- Avoiding new regulatory gaps in interpretations of SAFE Act among federal regulators
  - Example: Definition of “employee” for non-bank licensing and bank registration

# Multistate Examination and Enforcement



# The MMC



- Multistate Mortgage Committee
  - Composed of 10 State representatives appointed by AARMR and CSBS
  - Identify largest (and most multi-state) non-bank mortgage companies
  - Establish examination schedule, common protocol, and multistate examination teams
  - Two examinations completed with eight more expected by end of 2010
  - First public report available on CSBS website:  
<http://www.csbs.org/Content/NavigationMenu/Home/2009MMCREPORTTOSTATEREGULATORSFinal.pdf>

# Increased Use of Data



- NMLS annual call report
  - Enables risk profiles to assist MMC examination priorities
- Loan-level data through RegulatorConnect
  - NC has pilot tested automated compliance review of loan-level tapes beginning mid-2009
  - PA and WA and other regulators notifying licensees of expectations regarding loan-level data capabilities
  - Integration with lenders' LOS systems to increase consistency and reduce compliance burdens

# Multistate Enforcement

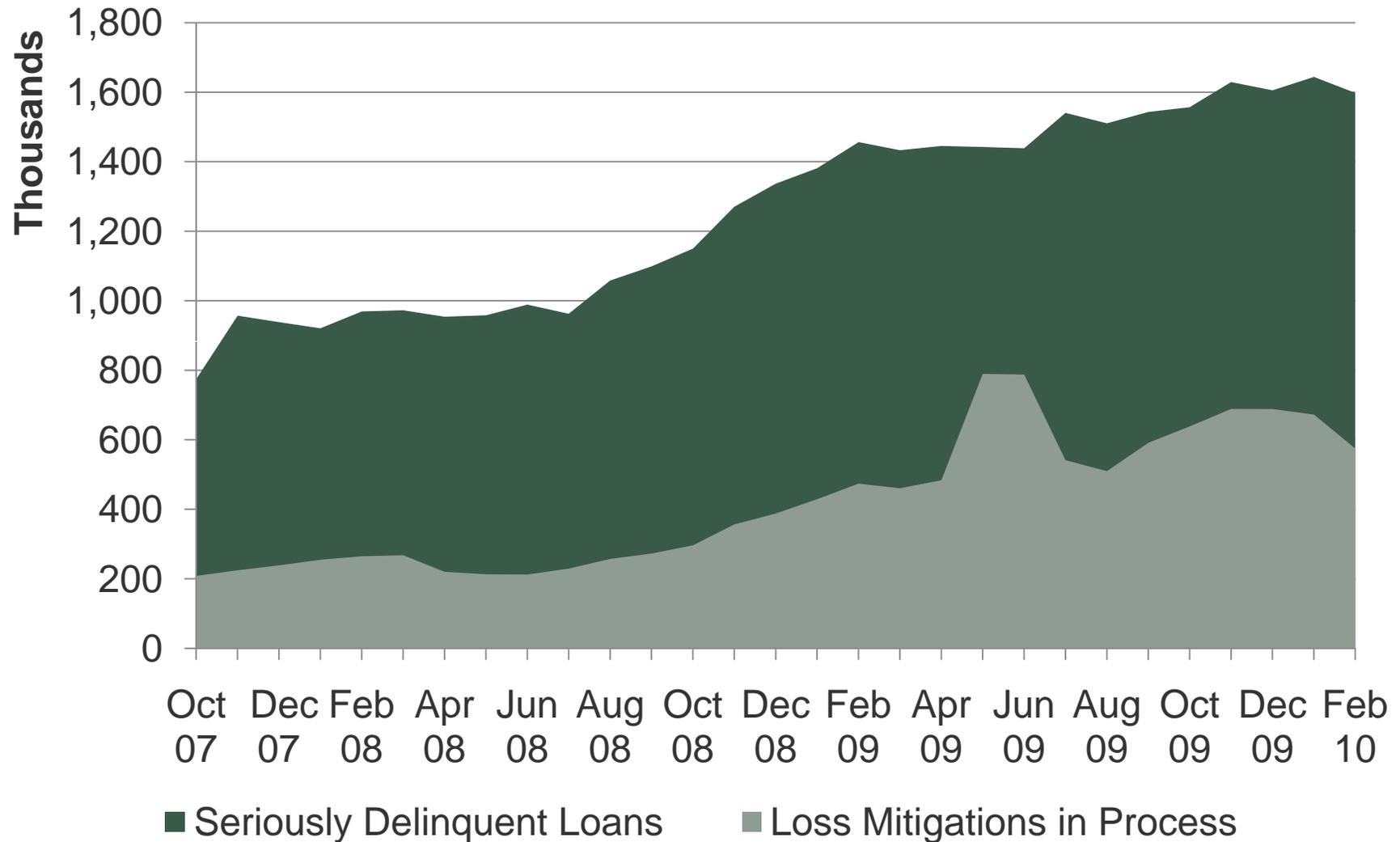


- Taylor Bean & Whitaker (June 2009)
  - Nontraditional underwriting of 2006 loan book
  - 14 State regulators participating
  - \$9 million settlement, loan review, improved controls
- CitiFinancial (March 2010)
  - Failure to report loans to HMDA
  - 35 State regulators participating
  - \$1.2 mil settlement, improved controls, fair lending review

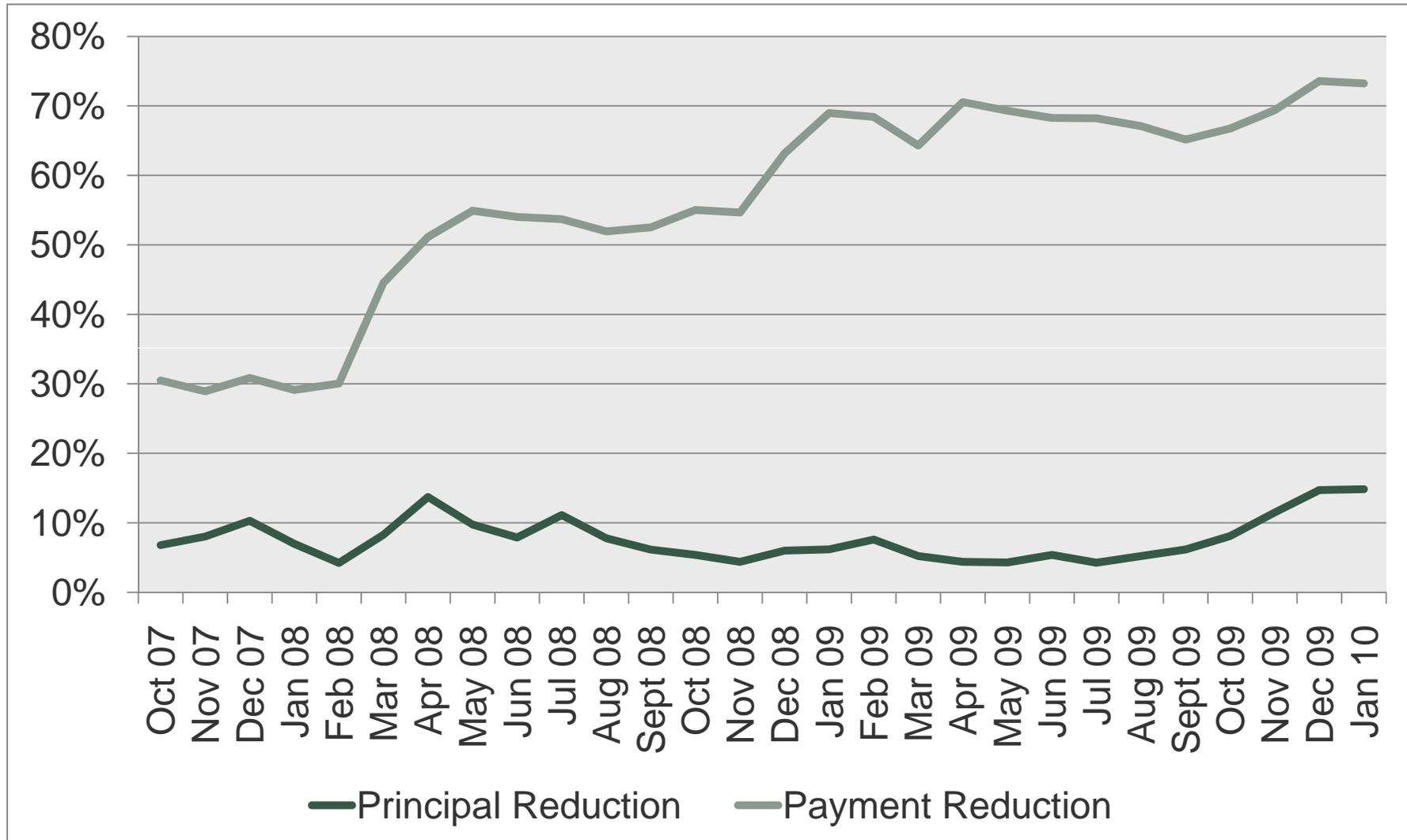
# Multistate Foreclosure Prevention Efforts

- State Foreclosure Prevention Working Group
  - Close partnership with State Attorneys General
  - Met with 20 largest servicers of subprime mortgage loans in Fall 2007
  - Two years of data collection from 13 servicers (non-banks' active and legacy portfolios)
  - Four public reports, available on CSBS' website:  
<http://www.csbs.org/Content/NavigationMenu/Home/StForeclosureMain.htm>

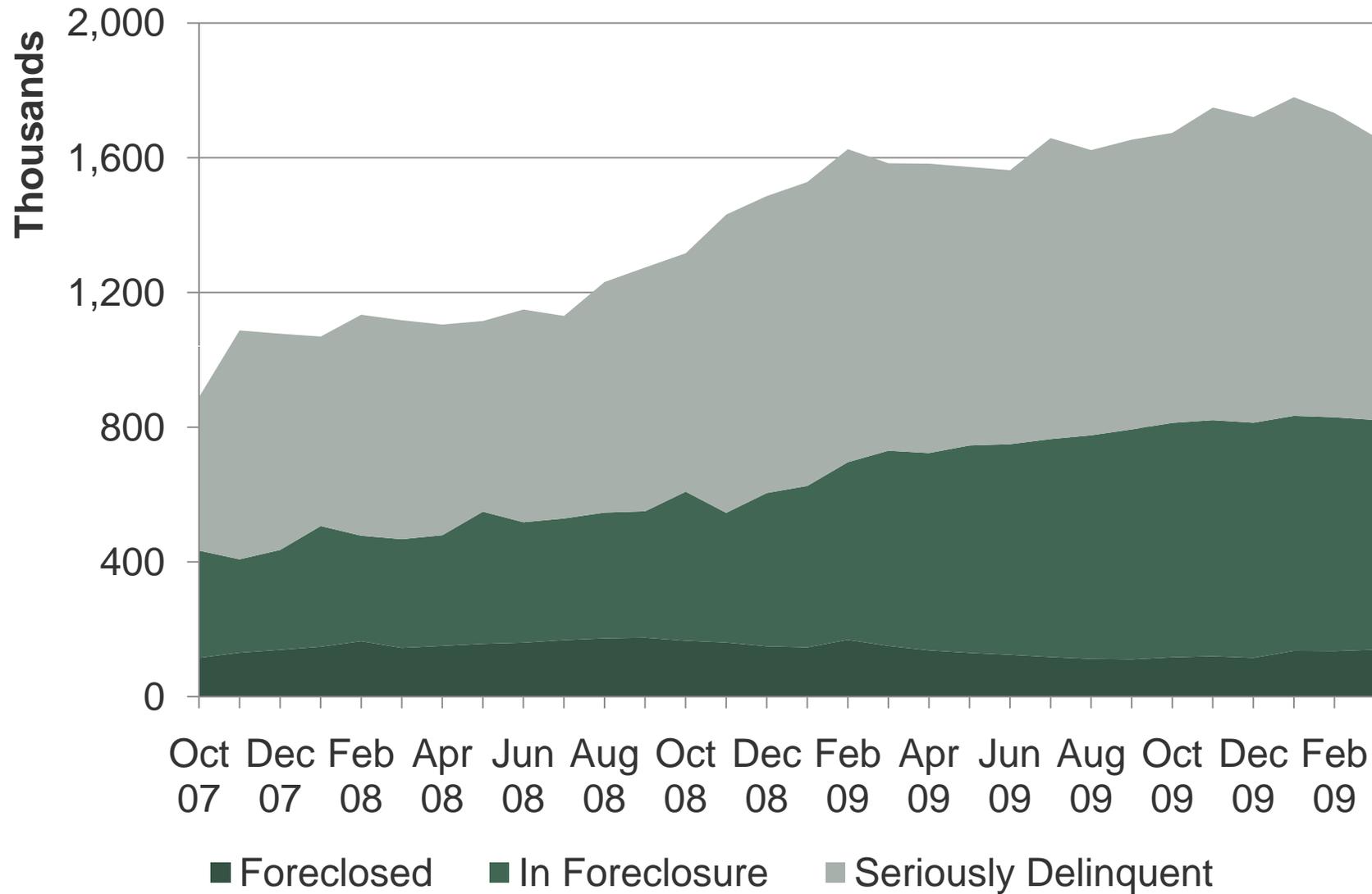
# Loss mitigation gap



# Principal reductions rare



# Foreclosures to come...



# North Carolina Initiatives

# Foreclosure Prevention



- State Home Foreclosure Prevention Project
  - Servicers required to notify homeowners and State court system 45 days in advance of foreclosure filing for certain subprime loans
  - NCCOB manages outreach effort to connect seriously delinquent homeowners to one of 34 non-profit housing counseling agencies
  - NCCOB provides “back office” support on “hard cases”
  - Results since implementation in November 2008
    - 10,000 homeowners received foreclosure prevention counseling
    - 4,000 homeowners able to avoid foreclosure
    - \$350 million in economic benefits to investors and neighboring property owners

# Recent Rulemaking



- Foreclosure and Servicing Rules
  - Rule 702: Communications Rule
  - Rule 703: Foreclosure Hold Rule
- Origination Practices rules currently “on hold” for further development
  - Proposed Rule 601 related to broker compensation
  - Proposed Rule 602 related to lenders affiliated with homebuilders
  - Proposed Rule 603 related to early disclosures for standard mortgage products

# Current NC Concerns



- Non-bona fide discount points
- Compliance with FHA guidelines and requirements
- Origination practices with affiliated manufactured and traditional homebuilders
- Net branching and weak supervision
- Ability of servicers to effectively assist homeowners seeking loss mitigation assistance
- Mortgage fraud
- Reverse mortgage lending