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MEDIA RELEASE

Conference of State Bank Supervisors

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State Mortgage Regulators Submit Comment to HUD on Proposed Rule Regarding the SAFE Mortgage Licensing Act

The Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) submitted a joint comment letter to the U.S. Department of Housing and Urban Development (HUD) in response to a proposal to implement the SAFE Mortgage Licensing Act. The CSBS/AARMR letter is available [here](#).

In the letter, the state regulators highlight that the SAFE Act sets minimum federal requirements for mortgage licensing standards, while permitting states to set higher standards. CSBS and AARMR strongly support the approach taken by Congress and HUD that recognizes state authority in protecting consumers. The state regulators believe the state-federal partnership in this area has significantly improved uniformity in mortgage licensing, while permitting states to use their knowledge of local market conditions to tailor regulation to meet the needs of their communities.

In the letter, CSBS and AARMR address several specific policy points of HUD's proposed rule, including:

- CSBS and AARMR encourage HUD to ensure states retain flexibility to make licensing determinations based on an assessment of the individual's scope of activities and the context in which they are performed. This need for state flexibility is particularly important in assessing licensure requirements for individuals working for non-profit organizations and for individuals performing loan processor or underwriting functions. The states support HUD's focus on the function performed by the individual and context for that activity.
- State regulators have been disappointed and frustrated with the pace of loss mitigation efforts of major servicers. Given the pressing and immediate need for servicers to increase staffing to meet loss mitigation needs, state regulators believe that requiring the licensure of loss mitigation employees of mortgage servicers in the near term would

be counterproductive.

- The inability of mortgage servicers to effectively handle the large number of homeowners needing loss mitigation assistance has led to the explosion of third-party loan modification companies claiming to offer assistance to homeowners struggling to avoid foreclosure. Given the public solicitations and offers to provide negotiation services, state regulators believe that, to the extent third-party loan modification activities are legal under a particular state's laws, individuals working for these companies should be licensed as mortgage loan originators and regulated to the same degree as employees working for a mortgage broker or lender.

CSBS and AARMR also provided a progress report on the actions taken by state authorities to implement the requirements of the SAFE Act. Within one year of the SAFE Act's passage, 49 states, the District of Columbia and the Virgin Islands had enacted legislation to meet the requirements of the SAFE Act. The few remaining state jurisdictions have developed legislative proposals that will be considered during the 2010 legislative sessions. Thus, mortgage licensing laws are far more uniform today than ever before.

In addition to mandating state laws and regulations, the SAFE Act contained seven specific mandates for the Nationwide Mortgage Licensing System and Registry (NMLS). In a little over 18 months since passage of the SAFE Act, the following has been accomplished:

- Development of a qualified written test and have administered over 43,000 tests through a network of over 500 professional test sites;
- Creation of a national, standardized program for the review and approval of pre-licensure and continuing education courses, and have approved 181 course providers and 378 courses. To date, more than 640,000 hours of national approved education has been completed by mortgage loan originators;
- Development of a nationwide network to receive and process fingerprints for national criminal history background checks for all residential mortgage loan originators. In the first 3 weeks of operations, over 11,000 mortgage loan originators had background checks processed; and
- Launch of a free website, www.NMLSConsumerAccess.org, which allows consumers to verify the license status of the company or mortgage professional with which they wish to do business.

The two remaining NMLS mandates, which are currently under development and on schedule, are:

- Development of a Mortgage Call Report; and
- Availability of publicly adjudicated disciplinary and enforcement actions.

For additional information on NMLS, go to the NMLS Resource Center at <http://mortgage.nationwidelicencingsystem.org/>.

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The Conference of State Bank Supervisors (CSBS) is the nationwide organization for state bank regulation, representing the bank regulators of the 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. State authorities supervise approximately 6,000 state-chartered financial institutions. Further, the majority of state banking departments also oversee mortgage providers and other financial service providers. CSBS is also responsible for improving the quality of state bank supervision by providing performance evaluation and accreditation programs for the banking departments, as well as supervisory education and training programs for state personnel.

The American Association of Residential Mortgage Regulators (AARMR) is the national organization representing state residential mortgage regulators. AARMR's mission is to (a) promote the exchange of information between and among the executives and employees of the various states who are charged with the responsibility, pursuant to the laws of the individual states, for the administration and regulation of residential mortgage lending, servicing and brokering; (b) assist in resolving conflicts of jurisdiction in relation to mortgage lending, servicing, and brokering; (c) promote a better understanding of mortgage regulation; (d) develop model legislation applicable to the administration and regulation of mortgage lending, servicing and brokering; (e) increase the knowledge and ability of those engaged in the administration and enforcement of mortgage regulation and those engaged in mortgage lending, servicing or brokering by organizing and sponsoring lectures, seminars, and training programs and by providing a forum for the exchange of information; and (f) do everything necessary, proper, advisable or convenient for the accomplishment of the Corporation's purposes and goals.