Michigan Mortgage Lenders Association

Presentation

House Banking and Financial Services Committee

Wednesday, March 16, 2005

Introduction

MMLA is composed of over 800 members including mortgage banking firms, mortgage brokers, commercial banks, savings banks, credit unions and other business entities providing products and services to the mortgage industry.

MMLA Mission Statement

To provide our members with the resources, legislative voice and education to effectively support the real estate finance community and guide the people of the State of Michigan in the achievement of the American Dream of homeownership.

In this post 9/11 era, mortgage originators and servicers have played a pivotal role in helping Michiganians continue to realize their dream of homeownership, refinancing their loans to take advantage of the lowest rates in 40 years and to infuse the economy with new spending power to spur its revitalization.

Parameters of the Michigan Mortgage Industry

Brief discussion of Michigan mortgage statistics included in your folder.

Both depository institutions (banks, savings banks, credit unions) and non-depository institutions (mortgage banking firms and mortgage brokers) originate mortgages in Michigan.

Non-depository mortgage originators account for almost 60 percent of the total 1-4 family mortgage originations.

The Office of Financial and Insurance Services is the regulatory agency for mortgage lending firms and mortgage brokers with a total of over 3000 entities licensed or registered.

Mortgage licensees and registrants must comply with the **Mortgage Brokers, Lenders, and Servicers Licensing Act, 1987 PA 173,** for first lien, 1-4 family mortgage lending, and the **Secondary Mortgage Loan Act, 1981 PA 125,** for secondary mortgage lending.

Overview of State Laws Regulating Mortgage Firms

- The Mortgage Brokers, Lenders and Servicers Licensing Act (MBLSLA) requires that 1-4 family mortgage, brokers, lenders and servicers, unless exempt, must be licensed or registered in Michigan.

- The law exempts depository financial institutions and their affiliates since they are regulated under other laws.

- The MBLSLA gives the OFIS Commissioner full powers to conduct examinations and investigations, suspend or revoke licenses, issue subpoenas and cease and desist orders. Licensees and registrants pay license and operating fees that cover the full costs of enforcing the MBLSLA. The OFIS Commissioner has the authority to set fees to cover costs within a broad range set by the statute.

- The Secondary Mortgage Loan Act is similar in form and content to the MBLSA but governs second mortgage lending activity.

Overview of State Laws Regulating Mortgage Firms

In 2002, with the full support of the MMLA, the Michigan Legislature enacted two (2) new laws, which further added to the regulatory tools of the OFIS Commissioner.

a. In May 2002 the "Bad Actors Law", 2002 PA 391, gave the Commissioner the authority to issue orders banning individual perpetrators who had committed fraud, from having an ownership interest, or being employed by a Michigan mortgage lender, broker or servicer.

b. In December 2002 the Consumer Mortgage Protection Act, 2002 PA 660 was enacted which addressed certain abusive and predatory lending practices and gave the OFIS Commissioner explicit authority to enforce compliance with, and impose state sanctions for violation of, applicable federal laws and regulations.

Overview of Federal Laws Regulating Mortgage Firms

Mortgage Originators and servicers must comply with a plethora of federal Laws and regulations including;

a) The Federal Truth in Lending Act and Regulation Z

b) The Home Mortgage Disclosure Act

c) The Equal Credit Opportunity Act

d) The Home Ownership and Equity Protection Act and Regulations (Enacted in 1994 to address certain abusive and predatory lending practices)

e) The Fair and Accurate Credit Transaction Act

As discussed previously, the Michigan Consumer Mortgage Protection Act gives the Commissioner the authority to enforce licensee compliance with all applicable federal laws.

Current Industry Concerns

The need for greater enforcement to remove the small minority of "bad actors" from the mortgage industry. OFIS has adequate resources to enforce the licensing laws but needs additional FTE authorization to hire staff. Funds available for enforcement are from license and operating fees and no general fund monies are included.

The on-going need for consumer education to enable consumers to make the right decisions while shopping for mortgage credit. To address these concerns MMLA has sponsored several housing fairs in recent years to inform consumers about the home buying and mortgage refinancing process and to provide consumers with access to their credit reports and their credit scores. MMLA has recently published a **Consumers Guide to Affordable Housing** that provides consumers with valuable information about the home-buying and mortgage-financing process. (Copies have been distributed to you, but we can also provide you with a CD ROM copy of the Guide, which you can print and distribute to your constituents.)

With the end of the mortgage refinance boom, mortgage originators in the past year have been forced to make staffing cuts to reflect the substantial reduction in mortgage loan origination volume.

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2002 Mortgage Originations by State
(per 2002 HMDA data)

State	Type	Number of Loans	Dollars ($000s)	% of Loans	% of $ Volume
Michigan	Prime	583,360	81,185,866	85.0%	88.2%
Michigan	Subprime	56,123	6,097,591	8.2%	6.6%
Michigan	FHA	37,711	3,936,101	5.5%	4.3%
Michigan	VA	5,471	656,282	0.8%	0.7%
Michigan	FmHA	872	71,709	0.1%	0.1%
Michigan	Manufactured Housing	2,580	114,279	0.4%	0.1%
Michigan	Total	686,117	92,061,828	100.0%	100.0%

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Industry Data:

Last Updated: 12/6/2004 @ 3:05 p.m.

Mortgage Originations: Total, Purchase, and Refinance Quarterly, 1990 to present

	Mortgage Originations (Bil. $)	Refinance Share (%)	Refinance Originations (Bil. $)	Purchase Originations (Bil. $)
1990. Q1	115.789	19	22.000	93.789
1990. Q2	122.639	13	15.943	106.696
1990. Q3	120.050	13	15.607	104.444
1990. Q4	99.926	16	15.988	83.938
1991. Q1	105.840	30	31.752	74.088
1991. Q2	135.555	26	35.244	100.311
1991. Q3	151.889	21	31.897	119.992
1991. Q4	168.790	46	77.643	91.147
1992. Q1	225.490	59	133.039	92.451
1992. Q2	215.052	33	70.967	144.085
1992. Q3	219.823	47	103.317	116.506
1992. Q4	233.316	49	114.325	118.991
1993. Q1	189.511	42	79.595	109.916
1993. Q2	248.489	53	131.699	116.790
1993. Q3	289.747	51	147.771	141.976
1993. Q4	292.114	60	175.268	116.846
1994. Q1	261.521	48	125.530	135.991
1994. Q2	214.311	23	49.292	165.019
1994. Q3	157.342	13	20.454	136.888
1994. Q4	135.574	12	16.269	119.305
1995. Q1	119.314	11	13.125	106.189
1995. Q2	140.523	13	18.268	122.255
1995. Q3	189.767	27	51.237	138.530
1995. Q4	189.832	33	62.645	127.187
1996. Q1	194.196	48	93.214	100.982

1996. Q2	209.140	26	54.376	154.764
1996. Q3	190.632	17	32.407	158.225
1996. Q4	191.265	24	45.904	145.361
1997. Q1	173.744	29	50.386	123.358
1997. Q2	196.302	21	41.223	155.079
1997. Q3	222.168	27	59.985	162.183
1997. Q4	241.431	38	91.744	149.687
1998. Q1	330	55	182	149
1998. Q2	401	44	176	225
1998. Q3	429	47	201	227
1998. Q4	496	61	303	194
1999. Q1	373	55	205	168
1999. Q2	405	38	154	251
1999. Q3	334	24	80	254
1999. Q4	267	23	61	205
2000. Q1	238	23	55	183
2000. Q2	302	16	48	254
2000. Q3	312	18	56	255
2000. Q4	287	26	75	213
2001. Q1	418	54	226	192
2001. Q2	579	53	307	272
2001. Q3	507	46	233	274
2001. Q4	739	70	517	222
2002. Q1	518	58	300	217
2002. Q2	552	43	237	315
2002. Q3	774	61	472	302
2002. Q4	1,010	74	748	263
2003. Q1	794	71	564	230
2003. Q2	1,187	71	843	344
2003. Q3	1,199	68	815	384
2003. Q4	632	49	310	322
2004. Q1	618	53	327	290
2004. Q2	894	49	438	456
2004. Q3	685	33	226	459

Source: Housing and Urban Development (1990-1997); Mortgage Bankers Association of America estimates (1998-)

Annual Statistics: 2004

Table 13. Homeownership Rates by State: 1984 to 2004

	2001	2002	2002\r	2003	2004
United States.....	67.8	67.9	67.9	68.3	69.0
Alabama.....	73.2	73.5	73.7	76.2	78.0
Alaska.....	65.3	67.3	67.1	70.0	67.2
Arizona.....	68.1	65.9	65.6	67.0	68.7
Arkansas.....	71.2	70.2	70.3	69.6	69.1
California.....	58.2	58.0	57.7	58.9	59.7
Colorado.....	68.5	69.1	68.9	71.3	71.1
Connecticut.....	71.8	71.6	71.5	73.0	71.7
Delaware.....	75.4	75.6	75.6	77.2	77.3
District of Columbia.....	42.7	44.1	44.1	43.0	45.6
Florida.....	69.2	68.7	68.7	69.5	72.2
Georgia.....	70.1	71.7	71.8	71.4	70.9
Hawaii.....	55.5	57.4	57.9	58.3	60.6
Idaho.....	71.7	73.0	73.0	74.4	73.7
Illinois.....	69.4	70.2	70.1	70.7	72.7
Indiana.....	75.3	75.0	75.1	74.4	75.8
Iowa.....	76.6	73.9	73.9	73.4	73.2
Kansas.....	70.4	70.2	70.3	70.3	69.9
Kentucky.....	73.9	73.5	73.7	74.4	73.3
Louisiana.....	67.1	67.1	67.4	67.5	70.6
Maine.....	75.5	73.9	74.0	73.7	74.7
Maryland.....	70.7	72.0	72.0	71.6	72.1
Massachusetts.....	60.6	62.7	62.6	64.3	63.8
Michigan.....	77.1	76.0	76.0	75.6	77.1
Minnesota.....	76.1	77.3	77.3	77.2	76.4
Mississippi.....	74.5	74.8	74.9	73.4	74.0
Missouri.....	74.0	74.6	74.8	74.0	72.4
Montana.....	68.3	69.3	69.4	71.5	72.4
Nebraska.....	70.1	68.4	68.5	69.5	71.2

Nevada	64.6	65.5	65.3	64.8	65.7
New Hampshire	68.4	69.5	69.5	74.4	73.3
New Jersey	66.5	67.2	66.9	66.9	68.8
New Mexico	70.8	70.3	70.0	70.3	71.5
New York	53.9	55.0	54.8	54.3	54.8
North Carolina	71.3	70.0	70.0	70.0	69.8
North Dakota	71.0	69.5	69.4	68.7	70.0
Ohio	71.2	72.0	72.1	72.8	73.1
Oklahoma	71.5	69.4	69.6	69.1	71.1
Oregon	65.8	66.2	66.2	68.0	69.0
Pennsylvania	74.3	74.0	74.0	73.7	74.9
Rhode Island	60.1	59.6	59.4	59.9	61.5
South Carolina	76.1	77.3	77.5	75.0	76.2
South Dakota	71.5	71.5	71.5	70.9	68.5
Tennessee	69.7	70.1	70.3	70.8	71.6
Texas	63.9	63.8	63.4	64.5	65.5
Utah	72.4	72.7	72.8	73.4	74.9
Vermont	69.8	70.2	70.3	71.4	72.0
Virginia	75.1	74.3	74.4	75.0	73.4
Washington	66.4	67.0	66.9	65.9	66.0
West Virginia	76.4	77.0	77.2	78.1	80.3
Wisconsin	72.3	72.0	72.2	72.8	73.3
Wyoming	73.5	72.8	73.0	72.9	72.8

\r Revised.

Go to Housing Vacancies and Homeownership Annual Statistics: 2004

Contact Bob Callis or Linda Cavanaugh at (301)763-3199 or visit ask.census.gov for further information on the Housing Vacancy Survey.

Source: U.S. Census Bureau, Housing and Household Economic Statistics Division

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