Michigan Mortgage Lenders Association

Presentation

House Banking and Financial Services Committee

Tuesday, February 20, 2007

Introduction

MMLA is composed of over 700 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 historically low interest rates and to infuse the economy with new spending power to spur its revitalization.

Parameters of the Michigan Mortgage Industry

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 budget and 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 published a **Consumers Guide to Affordable Housing** that provides consumers with valuable information about the home-buying and mortgage-financing process. (Hard copies of the Guide are available from MMLA, which can be duplicated for distribution to your constituents.)

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