

**UTAH RESIDENTIAL MORTGAGE
REGULATORY COMMISSION MEETING**

Heber M. Wells Building

Room 210

9:00 A.M.

March 7, 2012

MINUTES

DIVISION MEMBERS PRESENT

Jonathan Stewart, Division Director
Kent Nelson, Chief Investigator
Dee Johnson, Assistant Chief Investigator
Xanna Hardman, Assistant Attorney General
Jennie Jonsson, Hearing Officer
Renda Christensen, Board Secretary
Jan Buchi, Mortgage Education Coordinator
Marv Everett, Investigator
Travis Cardwell, Investigator
Jody Colvin, Division Staff

COMMISSION MEMBERS PRESENT

Lance Miller, Chair
Holly Christensen, Vice Chair
Steve Hiatt, Commissioner
John Gonzales, Commissioner

GUESTS

John Stika

The meeting on March 7, 2012 of the Utah Residential Mortgage Regulatory Commission began at 9:00 a.m. with Chair Miller conducting.

Commissioner Dailey is excused from the meeting today.

PLANNING AND ADMINISTRATIVE MATTERS

The Oath of Office was administered by Administrative Law Judge Steve Eklund to John Gonzales as the new Mortgage Commissioner.

Approval of Minutes

A motion was made to approve the minutes from the February 1, 2012 meeting. Vote: Chair Miller, yes; Vice Chair Christensen, yes; Commissioner Hiatt, yes. The motion carries.

DIVISION REPORTS

Director's Report – Jonathan Stewart

Director Stewart said the Division's bill, HB 191, has passed the legislature. Changes will go into effect on May 8, 2012. There will be an article in the first quarter newsletter outlining all of the changes. We still need to define by rule what an incentive program is, and we will probably draft some starting language to bring to the Commission.

It appears that many Divisions within the Department of Commerce, including Real Estate, will be getting a new software program for licensing and investigations before the end of June. Although this will mostly effect Division staff, there are some good features that will help licensees. One feature is that we will now be able to e-mail a "pdf" license to people instead

of mailing them, and another feature is applicants will be able to log into the website and see the checklist of all the items that are required to either become a licensee or renew an application. It will be automatically updated as Division staff completes certain things. This will include when they received the application; completed a background check; done a credit report, etc. This checklist can be changed to reflect whatever the Division wanted. We don't know if this new program will be simultaneously with NMLS at this time.

Starting tomorrow, we will begin the remodeling of the Division. We are hoping to be completed by Monday, March 19, 2012. We will be receiving new carpeting and new cubicles, and during this time there will be employees in this room (Room 210), and the rest of the staff will be in the First Floor Conference Room. Director Stewart asked the public to please be patient with us during this time.

Enforcement Report – Kent Nelson

Mr. Nelson reported in the month of February the Division received 14 complaints; opened 14 cases; closed 12 cases; leaving the number of mortgage cases at 75. A large number of these cases are with one large loan modification company in the state, and we are assisting federal

authorities on the investigation.

Stipulations for Review:

Richard Gardner Hughes

Freddy Garzon

Each respondent was advised of their rights to appear today, and each has chosen not to appear.

Mr. Nelson asked to be excused for a meeting scheduled with the Attorney General's office on an enforcement issue.

Education/Licensing Report – Mark Fagergren

Mr. Fagergren told the Commission the reinstatement deadline has been completed. Licensees are getting used to using the NMLS system, and things seemed to go more smoothly this year.

The information that is normally received on the statistics is pulled from the LES database licensing system the Division currently is using. The licensing report from the NMLS system shows only those who are eligible for renewal. The first entry shows 3,041 individual licenses eligible for renewal, and

3,026 that actually renewed. Out of the 671 entities eligible for renewal, 663 were renewed.

Last month the topic of transitional licenses was brought up for discussion. Since that time we have had a meeting with some people who were interested in this, and we have also had a User's Conference where Ms. Buchi attended and reported back on the updates.

One of the items discussed was inactive licenses/registrations. Many states do not allow individuals to be inactively licensed. DFI does not allow inactive NMLS registrations. In Utah you can be inactive, but you still have to take the CE and meet all of the requirements. If for some reason you are between companies, you can have an inactive license. One of the arguments that people were making to us was this is such a burden on their employees. One of the reasons is that if you came from a state that didn't allow you to be inactive they either would have to quit if they worked for a depository entity, or in Utah you can still work in a bank and have an inactive license.

The second thing that will really make a difference, the NMLS seems to be aggressively working on an NMLS update to prevent the registration side of

the NMLS from observing the licensing side. Right now registrations can look at licensing and one of the fears expressed was that someone's boss will see if doing these procedures and it will put fear into everybody, so they are not willing to do that. The NMLS seems to be sensitive to that and is trying to put up some kind of a firewall. NMLS is hoping to block the testing and education and whether they are actively out there pursuing the education so the federal side won't see it.

Another area to be discussed is call reports. With the Division's bill passing, we will be completing rules on call reports. Ms. Buchi said at the User's Conference that people were very happy that Utah does not do call reports. She had to tell them this was only a temporary thing, and that they will be required soon. The statute does say they must be filed quarterly. Chair Miller said at the User's Conference only 16% of the call reports are accurate. The CSBS has hired 800 examiners who will work with our examiners (investigators) on what they are looking at and how that meshes together between investigations and them doing examinations. There are two types of reports: one that is two pages; and an expanded FHA version. Utah was the last state to hold out on call reports.

The Division's Caravan dates and locations are on the website. The dates

and locations are as follows:

Provo, Covey Center for the Arts April 17, 2012

Logan, Bridgerland Applied Technology College April 24, 2012

Park City, Park City Marriott April 26, 2012

Layton will have two meetings, one at 9:00 a.m. and one at 2:00 p.m.

Layton, Davis Convention Center May 1, 2012

Moab, Grand Center May 15, 2012

Richfield, Sevier County Administrative Building May 16, 2012

St. George will also hold two meetings, one at 9:00 a.m. and one at 2:00 p.m.

St. George, Dixie Center Auditorium May 17, 2012

Our new statute indicates that we can approve people for PLM licenses, not only if they are licensed in Utah as a full-time MLO, but if they are working at a depository institution. The question will be we can document if they are licensed with the Division as an MLO, with people coming from a depository institution, it is more a question. The Division has a standard of where we require one of two things: a letter on company (bank) letterhead from their direct supervisor saying this person did primarily mortgage loan originations; or the same letter from the HR department. However, we are finding that some depository institutions are either unwilling or unable to provide the letter. The Division has explored and considered what can be used instead. The other possibility would be to have them provide a pipeline of business to who the work you did. Then we can randomly audit these reports.

Another point is there are some third-party providers that do some kind of documentation. The topic of creating a point chart system similar to those used in real estate for brokers was brought up. It would be easier to verify work experience on those individuals, especially those out of state. Mr. Fagergren will set up a draft chart for the next meeting. The chart will be then open for a 30-day public comment period.

Commission and Industry Issues – Jennie Jonsson

Ms. Jonsson handed out copies of the draft rule of R162-2c. In the definition section there is the definition of branch lending manager into the statute. The name would be referenced as a "BLM" license. There is also a new definition for "incentive program" which distinguishes it from a referral fee. Instead of having three separate licenses for principal lending manager, associate lending manager, and branch lending manager, the new definition will change the three to one license type of "lending manager."

A chart mentioned previously will be added to the section satisfying the experience requirement. The wording will reflect having enough points to satisfy the full-time experience requirement within the past three years.

Under the sponsorship section, it was added that any individual who holds a license as a mortgage loan originator may perform loan processing activities regardless of whether the individual's license is sponsored by a licensed entity at the time of the loan processing activities are performed, or the individual is employed by a licensed entity. HUD says that the processor needs to be licensed, but you will still be able to process on an inactive license.

A new section was added for employee incentive programs. There was

extensive discussion on whether this will be viewed as a referral fee or as an incentive fee. It was decided to have Ms. Jonsson prepare some draft language for next months meeting.

CLOSED TO PUBLIC

There was a motion to close the meeting to discuss the character, professional competence, or physical and mental health of an individual. Vote: Chair Miller, yes; Vice Chair Christensen, yes; Commissioner Hiatt, yes; Commissioner Gonzales, yes. Executive Session was held from 11:18 a.m. to 11:23 a.m.

OPEN TO PUBLIC

Results of Stipulations

Richard Gardner Hughes - Approved

Freddy Garzon - Approved

A motion was made to adjourn the meeting. Vote: Chair Miller, yes; Vice Chair Christensen, yes; Commissioner Hiatt, yes; Commissioner Gonzales, yes. Director Stewart concurs. The meeting was adjourned at 11:24 a.m.

