

**UTAH RESIDENTIAL MORTGAGE REGULATORY  
COMMISSION MEETING**

Heber M. Wells Building

Room 210

9:00 a.m.

June 4, 2014

**MINUTES**

**STAFF MEMBERS PRESENT**

Jonathan Stewart, Division Director  
Mark Fagergren, Education/Licensing Director  
Jeffery Nielsen, Chief Investigator  
Justin Barney, Hearing Officer  
Elizabeth Harris, Assistant Attorney General  
Renda Christensen, Board Secretary  
Jan Buchi, Mortgage Education Coordinator  
Jennica Robison, Division Staff

**COMMISSION MEMBERS PRESENT**

Steve Hiatt, Chair  
Lance Miller, Vice Chair  
Rodney "Butch" Dailey, Commissioner  
Cathy Gardner, Commissioner  
John Gonzales, Commissioner

The meeting on June 4, 2014 of the Utah Residential Mortgage Regulatory Commission began at 9:00 a.m. with Chair Hiatt conducting.

**PLANNING AND ADMINISTRATIVE MATTERS**

Approval of Minutes – A motion was made to approve the minutes from the May 7, 2014 meeting. Vote: Vice Chair Miller, yes; Commissioner Gonzales, yes; Commissioner Gardner, yes. The motion passes.

**DIVISION REPORTS**

**Director's Report – Jonathan Stewart**

Director Stewart reported the changes to the Division's statutes and approved by the legislature went into effect on May 13, 2014. The three things that affect the mortgage industry are: 1) independent loan underwriters now are required to be licensed; 2) surrender of a license; 3) statute of limitations for investigations.

Director Stewart said he would like to discuss the 2013 NMLS Mortgage Industry Report, released on May 9, 2014 by the Conference of State Bank Supervisors. While most state-licensed companies and individuals work in just one state, the number of entities working in multiple states is growing at a faster rate. The total number of state-licensed MLOs grew 8% over the past year, while the total number of MLO

licenses grew 28%. The average number of state licenses held by an MLO in 2013 was 2.54 licenses per MLO, up from 1.8 licenses per MLO in 2011.

At the end of 2012 there were 3,853 MLOs in Utah. 1,059 new applications were received in the year 2013 which was up 27%. There were 436 licensees who did not renew their licenses, leaving the Division with a total of 4,476 licensees at the end of 2013.

MLOs operating in more than one state grew 3% in 2013; the number operating in more than 10 states grew by 52%.

In 2013, Utah received 87 new company license applications. MLO new applications received were 1,059, with 1,035 applications approved.

For informational purposes, the loan amounts in 2013 for home purchases originated \$7,003,423,303 for 31,616 loans; home improvement loans totaled \$84,348,095 for 406 loans; and 28,666 homes were refinanced for a total of \$7,198,692,547.

The total amount for all loans in Utah was \$14,481,002,099 which was for 61,557 loans; the average loan was for \$235,245. MLOs with one or more loan were 2,037, and average loans per MLO were 21.

#### **Enforcement Report – Jeffery Nielsen**

Mr. Nielsen reported in May the Division received 2 new complaints; opened 3 cases; no new cases were submitted to the Attorney General's office; 12 cases were closed; leaving the balance of cases at 71.

The Division has hired a new mortgage investigator, Tim Cuthbertson, who will be starting on Monday, June 9, 2014.

There are no stipulations for review today.

#### **Education and Licensing Report – Mark Fagergren**

Mr. Fagergren said the Division has completed the Caravan since our last meeting. There was an increase in attendees by about 46%. As Mr. Fagergren mentioned last month, this increase did not include mortgage licensees.

Pearson Vue met with a committee selected by the Division yesterday to review the lending manager exam. There were five on a conference call: Brett Mills, Academy Mortgage; Ron Duyker, own company; Julia Gleed, Village Mortgage; Jan Buchi, and Mr. Fagergren from the Division. The group reviewed the exam over all, and the content outline. We noticed there were some issues that were currently out of compliance because of some Dodd Frank Act requirements. Other requirements will go into effect next August. Since the exam is only reviewed annually, the changes being made now will go into effect on September 1, 2014, and we will have to anticipate what the statutes will reflect. There were changes made because of the Dodd Frank

Act and the CFPB legislation with modifications being made to the questions. Pearson Vue will be in town next week so new questions can be written to fill gaps in the content outline. The members from the group representing the industry members had some good questions and suggestions for modifications to the exam.

Mr. Fagergren received a phone call from someone who wanted this topic brought before the Commission for discussion. Statute 61-2c-301 talks about prohibited conduct and violations of the chapter. In paragraph 1(j) it mentions that ordering a title insurance report, or title insurance policy unless the person provides to the title insurer a copy of a valid, current license under this chapter is prohibited conduct. The Commissioners discussed this issue and did not believe that this is a problem. Usually the title policy has been ordered by underwriters. Director Stewart said he will add it to the list of suggestions on changes to be discussed in the fall.

Last month Ms. Buchi and Mr. Everett attended a 5-day course on the changes to Dodd Frank and CFPB requirements. Ms. Buchi gave some highlights of the conference. Ms. Buchi said the course covered the January 10, 2015 Dodd Frank rollout. The purpose is to help with investigations and licensees understand the requirement. Mostly it focused on the Ability To Repay ("ATR"), and how qualified mortgages provide the presumption of compliance with the ATR. There are eight steps that lenders and investigators need to look for when they are determining the ability to repay. These factors have to be consistent and quantified by the lender. There are three types of mortgages that were discussed, but the basic one was the standard QM if the interest rate does not exceed 1.5% of the APOR. This is added to the average current offer rate, which will be the new standard for qualified mortgages, and for the ability to repay.

Ms. Buchi said they also covered the record retention requirement which is now three years. Our state requirement would take precedence over this, but they are anticipating that lenders will maintain their records longer because of defaults. Some of the other items discussed were the points and fee caps for qualified mortgages, small creditor lenders and underserved market, high cost mortgages, HOEPA changes, counseling requirements for high cost loans, new escrow rules under Regulation Z.

Clarification was given under Dodd Frank of a mortgage originator. They stressed that the definition was not changed from the SAFE Act, it was just done to clarify. The Act defines an originator as "someone who for or in expectation of direct or indirect compensation or monetary gain, performs the following tasks: takes a loan application; offers, arranges, or assists in making an extension of consumer credit or represents to the public that they can do the above, through any type of advertising or promotion."

Ms. Buchi said that all of this information is going to be included in our lending manager exam, and it is already currently in our state NMLS exam.

There are no stipulations to review this month.

## **COMMISSION AND INDUSTRY ISSUES**

### **Updates on Rules – Justin Barney**

Mr. Barney said there are no rule changes being proposed that need to be discussed at this time.

A motion was made to adjourn the meeting. Vote: Chair Hiatt, yes; Vice Chair Miller, yes; Commissioner Dailey, yes; Commissioner Gonzales, yes; Commissioner Gardner, yes. The meeting adjourned at 9:27 a.m.