

**UTAH RESIDENTIAL MORTGAGE REGULATORY  
COMMISSION MEETING**

Heber M. Wells Building

Room 2B

9:00 a.m.

March 2, 2011

TELEPHONIC MEETING

**MINUTES**

**STAFF MEMBERS PRESENT**

Deanna Sabey, Division Director  
Dee Johnson, Enforcement Director  
Xanna Hardman, Assistant Attorney General  
Jennie Jonsson, Hearing Officer  
Renda Christensen, Board Secretary  
Jan Buchi, Mortgage Education Coordinator  
Jody Colvin, Division Staff  
Marv Everett, Investigator  
Stuart Engerman, Investigator

**COMMISSION MEMBERS PRESENT**

Lance Miller, Chair  
Maralee Jensen, Vice Chair  
Rodney "Butch" Dailey, Commissioner  
Holly Christensen, Commissioner

**GUESTS**

Irene Kennedy	Nathan Pierce
Jeremy Plouzek	John G. Stevens
Dave Luna	Dan Wolfe
Ron Duyker	

The meeting on March 2, 2011 of the Utah Residential Mortgage Regulatory Commission began at 9:00 a.m. with Chair Miller conducting.

**PLANNING AND ADMINISTRATIVE MATTERS**

Approval of Minutes – A motion was made to approve the minutes from the February 2, 2011 meeting as written. Vote: Chair Miller, yes; Vice Chair Jensen, yes; Commissioner Dailey, yes; Commissioner Christensen, yes. The motion carries.

## **DIVISION REPORTS**

### Director's Report – Deanna Sabey

Director Sabey wanted to inform the Commission and public that the Division's bill, HB-91, has cleared the House and Senate. It has been signed by both and is on its way to be enrolled, and thereafter signed by the Governor.

The attorney exemption for loan modification activities, HB-93, is working its way through the legislative process. It has had significant discussion in the House Business and Labor Committee and also in the Senate Business and Labor Committee. There have been some edits and changes, and much testimony from attorneys regarding the implications they see as a result of the changes, or failure to make changes.

This bill has been amended. If you are interested in what the amendments are, look under "amendments" on the Utah State Legislature website. It has passed out of Senate Committee and is on the Senate calendar today for a second reading. The Utah Bar has weighed in on HB-93, and has worked with Representative Christensen to revise the language.

At this point in time, the bill doesn't exempt attorneys from loan origination activities. It only exempts attorneys who are acting in the course of their business for loan modifications. One issue is where the complaint process should start, with the Division of Real Estate or the Utah State Bar. There are various legislators that have strong opinions one way or the other.

Director Sabey touched briefly last month on mortgage call reports and the Division's position with them. The Division has since gone back through our statute very carefully to see if there is any language that we can possibly use to require licensees to provide mortgage call reports. We had thought previously that the requirement for financial responsibility might have some teeth to it; however, at this time the requirement for licensees to demonstrate financial responsibility only deals with initial licensing and not renewal. The Division doesn't have anything currently in our statute that deals with mortgage call reports. Since we have nothing requiring call reports, we cannot then place the burden on the licensees to provide mortgage call reports until the statute has been revised to include that requirement.

In some trends seen on the national level regarding the crackdown on mortgage fraud, Director Sabey has noticed an incident in New York. The former president of a brokerage firm called "Guy American Funding Corp." was sentenced to 30 months in prison for his role in a massive mortgage fraud scheme. He and his cohorts have perpetrated over \$3,000,000 in fraudulent

loans. The scheme was set up to use straw buyers, and arrange home sales between distressed sellers and these straw buyers. They would then obtain mortgage loans using fraudulent representation, and then flip and resell the properties using various straw buyers to strip the equity from the properties as they were resold with inflated market values. This was substantial fraud. Most of the players involved with this particular fraud were sentenced to prison. The investigation was a result of President Obama's Financial Fraud and Enforcement Task Force.

A trend seen in California is illegal spam text messages. A loan modification company will send spam text messages to individuals to try and solicit their business. The FTC has recently asked this particular text message scammer to shut down its business. In one 40-day period this company sent more than 5.5 million spam and text messages. This is about 85 text messages per minute, every day. These text messages also represented that the loan modification company had affiliation with the federal government.

#### Enforcement Report – Dee Johnson

Mr. Johnson reported in February the Division received 36 complaints; screened 43 complaints; opened 14 cases; closed 8 cases; leaving the total number of mortgage cases at 130. Mr. Johnson said he suspects the numbers will remain higher from the large number of complaints and increased case load for a little while.

Both mortgage investigators, Marv Everett and Stuart Engerman, are present today in the room. They have been doing an excellent job in trying to keep up with everything, but it looks like we might get behind.

#### Stipulations for Review

W. J. Bradley Mortgage Capital Corp.

Jill M. Howes

Each of these parties has been offered the opportunity to be here and has chosen not to appear.

#### Licensing and Education Report – Jan Buchi

Mr. Fagergren is on vacation this week, and Ms. Buchi will be giving his report.

Ms. Buchi said at the end of December there were 3,217 renewals requested, and we had processed and approved 1,859 at that time. In the last two months of reinstatement, we have ended up with a total of 3,691 renewals requested, and have processed most of those, 3,558. There are 133 still pending mostly because of deficiencies. These will be terminated when we go

through the last review of them. Currently, we have 474 licensees who took advantage of the reinstatement period after missing the renewal deadline on December 31, 2010.

There are 69 licensees who are currently suspended for not meeting the renewal requirements. These will soon be terminated if they do not get those requirements sent in. So far, 22 have been terminated.

Ms. Buchi said there is now a good count of who is actually licensed in this state. Companies, DBAs, and branches show 451 who are active, and 93 inactive. Individual licenses show 3,148 active, and 163 inactive. This represents a 57% loss of individual licensees from last year, and a 68% loss of equity licensees. We currently have 238 new license applications pending.

Ms. Buchi said we have had 17 months to meet NMLS requirements, and then two months to reinstate a license. On March 1, 2011, all those who have missed the deadline suddenly began to call the Division to ask what exceptions can be made for them. All licenses have been terminated if they have not met the reinstatement deadline of February 28, 2011. They must apply as new licensees, which means they will have to meet all of the S.A.F.E requirements, take the Utah 40-hour pre-licensing education, submit fingerprints, and authorize credit reports over again.

Ms. Buchi and Mr. Kinnavonga recently returned from the user's conference held in Florida. Many Utah representatives were in attendance from the industry. Some of the high points covered were a future plan to add enforcement tracking, and allowing documents for hearings to be printed and stored directly on NMLS.

States that previously required mortgage licensing have had to adapt their processes to meet NMLS, as we have. Some of the changes are limiting the number of license types; reducing the number of individual licenses; requiring sponsorship for their individuals; using of license numbers is a change for many states; and, having paperless licenses.

Currently, a license downloaded from our system will display the licensee's personal home address. Ms. Buchi said some licensees don't want their addresses posted on the wall with their home address showing. Many states expressed the cost savings for mailing and printing paper licenses versus paperless licensing.

There was also conversation on reducing CE hours, which Utah has done, to

comply with NMLS. Some states still require CE hours outside of the NMLS required 8 hours. A change in the reinstatement time was new to us. This will allow January and February for reinstatement. Minimizing requirements outside NMLS, anything Utah requires outside the system that takes manual work, such as verification of CE and the social security verification form, cannot be tracked in the NMLS system. Some states charge for every amendment to the record as a revenue source.

NMLS is also being considered for other industries, not just the mortgage industry. In the future it could be used for managing money transmitters, payday lenders, debt collectors, check cashers, and consumer finance people.

Director Sabey has already touched on call reports, which were talked about in length. There was quite a bit of industry comment against call reports. The Dodd-Frank Act will take over the enforcement of the supervision of the S.A.F.E Act when it changes on July 21, 2011, with the Consumer Financial Protection Bureau going into place.

For our licensing team, the next focus is on credit reports. They will have to be authorized by our licensees by this month. We had set the deadline by March 1, 2011, and will give them through March 31, 2011 to make sure their credit report has been authorized. We will then start reviewing the reports and establishing the criteria to determine financial fitness of our licensees.

#### COMMISSION AND INDUSTRY ISSUES

##### Updates on Rules – Jennie Jonsson

Ms. Jonsson said some rule amendments were published on March 1<sup>st</sup>, and these will be open for public comment through the end of this month. We will be ready to take a vote on them in the April meeting.

#### **CLOSED TO PUBLIC**

A motion was made to go into Executive Session for the sole reason of discussing the character, professional competence, or physical and mental health of an individual. Vote: Chair Miller, yes; Vice Chair Jensen, yes; Commissioner Dailey, yes; Commissioner Christensen, yes. The motion carries. Executive Session was held from 9:27 a.m. to 9:30 a.m.

#### **OPEN TO PUBLIC**

Motion to return to public session: Vote: Chair Miller, yes; Vice Chair Jensen, yes; Commissioner Dailey, yes; Commissioner Christensen, yes. The motion carries.

##### Results of Stipulation Review

W. J. Bradley Mortgage Capital Corp. - approved  
Jill M. Howes - approved

Director Sabey has concurred with the vote to approve the stipulations.

A motion was made to adjourn the meeting. Vote: Chair Miller, yes; Vice Chair Jensen, yes; Commissioner Dailey, yes; Commissioner Christensen, yes. The motion carries. The meeting adjourned at 9:30 a.m.