Welcome to the California Mortgage Bankers Association’s Mortgage Quality and Compliance Committee (MQAC)

April 28, 2011
You have entered the call on mute. If you have a question for Susan or CMBA, please direct a question to her only by typing it into the panel to the left of the screen. We will announce new members and open the line for questions at the conclusion of the presentation.
AGENDA

I. Preliminary Remarks and welcome to the committee

II. California Legislative Report, Pat Zenzola, CMBA Lobbyist
**AB 406  (Davis) Adjustable rate mortgages: balloon payments.**


**Current Location:** 04/26/2011-A B. & F.

**Summary:** Existing law requires applicants for adjustable rate loans to be provided a specified disclosure notice. Existing law requires written notice to be provided at least 90 days prior to the date of the final payment on a balloon payment loan, as defined, that is secured by a deed of trust or mortgage on real property containing one to 4 residential units. This bill would prohibit balloon payments from being included in the terms of an adjustable rate loan, as defined, for real property containing one to 4 residential units secured by a mortgage or deed of trust on real property.
AB 643

(Davis) Mortgages: counseling.

Status: 04/25/2011-Re-referred to Com. on B. & F.


Summary: Existing law provides that a mortgage broker, as defined, who provides mortgage brokerage services to a borrower is the fiduciary of the borrower and any violation of the broker's fiduciary duty is a violation of the mortgage broker's license law. Existing law provides that this fiduciary duty includes a requirement that the mortgage broker place the economic interest of the borrower ahead of his or her own economic interest. Under existing law, a violation of the licensing laws of certain mortgage brokers is a crime. This bill would provide that a mortgage broker, for purposes of these provisions, includes specified mortgage loan originators. This bill would provide that the fiduciary duty owed to a borrower includes a requirement that the mortgage broker provide a borrower prepurchase debt counseling that explains what a prudent debt-to-income ratio would be for the borrower, taking into account the borrower's income and credit rating. The bill would require the Department of Corporations, the Department of Financial Institutions, and the Department of Real Estate to collaborate to establish a standard for determining a prudent debt-to-income ratio for borrowers. Because a violation of these provisions by certain mortgage brokers would be a crime, this bill would impose a state-mandated local program. This bill contains other related provisions and other existing laws.
**AB 935 (Blumenfield) Foreclosures: foreclosure mitigation charges.**

**Status:** 04/25/2011-Re-referred to Com. on B. & F.

**Current Location:** 04/25/2011-A B. & F.

**Summary:** Existing law sets forth the criteria for procedures for the foreclosure of property, including the filing of various notices with the county recorder, and generally sets forth the duties of the county recorder in this regard. This bill would, with some exceptions, prohibit a notice of trustee's sale from being accepted for filing with the county recorder until the mortgage servicer pays a foreclosure mitigation charge of $20,000. It would require the county recorder to keep the moneys in trust until a notice of rescission is filed, at which time the moneys would be returned to the mortgage servicer, or until a trustee deed of sale is filed, at which time the moneys would be transmitted to the Treasurer for deposit in the Foreclosure Mitigation Fund, which would be created by the bill; the interest earned on the moneys would be retained by the county recorder in either case. The fund would be continuously appropriated for distribution by the Treasurer to local agencies for specified purposes. This bill contains other related provisions and other existing laws.
SB 729  (Leno) Mortgages and deeds of trust: foreclosure.

**Status:** 04/14/2011-From committee with author's amendments. Read second time and amended. Re-referred to Com. on B. & F.I.

**Current Location:** 04/14/2011-S B. & F. I. **Calendar Events:** 04/27/11 1:30 p.m. - Room 3191 SEN BANKING AND FINANCIAL INSTITUTIONS

**Summary:** (1) Existing state and federal law regulate the terms and conditions of mortgages and deeds of trust secured by real property. Existing state law requires, upon a breach of the obligation of a mortgage or deed of trust secured by real property, that the trustee, mortgagee, or beneficiary record a notice of default in the office of the county recorder where the mortgaged or trust property is situated and mail the notice of default to the mortgagor or trustor, among other acts, prior to exercising a power of sale. Existing state law, until January 1, 2013, prohibits the filing of a notice of default on a mortgage or deed of trust, as specified, secured by owner-occupied real property, as defined, until 30 days after specified parties contact the borrower or 30 days after satisfying due diligence requirements in this regard. This bill would prohibit a mortgagee, trustee, beneficiary, or authorized agent from recording a notice of default unless that party makes reasonable and good faith efforts to evaluate the borrower for all available loss mitigation options to avoid foreclosure.
**SB 729 (Leno) Mortgages and deeds of trust: foreclosure.**

**Summary continued:** The bill would prohibit a mortgagee, trustee, beneficiary, or authorized agent from recording a notice of default on residential mortgages and deeds of trust, as defined, until various notice requirements and other requirements regarding loan modifications are fulfilled. The bill would include among these requirements informing the borrower of the deadline for applying for a loan modification, which would be prohibited from being earlier than a specified date. The bill would prohibit a mortgagee, trustee, or beneficiary from recording a notice of default on a residential mortgage or deed of trust if a borrower who is eligible for a loan modification submits an application, as specified, unless the mortgagee, trustee, or beneficiary has, in good faith, reviewed the application, rendered a decision on the application, and sent the borrower a denial explanation letter. The bill would provide a process for reviewing a mortgage loan modification application, which would depend, in part, on whether the mortgage servicer, as defined, is participating in the federal Making Home Affordable Modification Program. The bill would except certain borrowers from these requirements. The bill would require that a borrower who requests a loan modification and is denied receive a denial explanation letter stating the reason or reasons for the denial, as specified. This bill contains other related provisions and other existing laws.
Monthly Presentation

“NMLS Mortgage Call Report”
Presented by:

Tim Lange, Senior Director - Policy
Conference of State Bank Supervisors
NMLS Mortgage Call Report

CALIFORNIA MORTGAGE BANKERS ASSOCIATION
April 28, 2011

Tim Lange, Senior Director - Policy,
Conference of State Bank Supervisors
(CSBS)
Goals

- Provide state regulators with sufficient information to replace the approximately 38 unique state annual reports currently required.

- Provide sufficient information to effectively supervise licensees:
  - determining examination schedules
  - monitoring compliance with state law and SAFE Act
  - calculating assessments (where applicable)

- Provide state, regional and national reports on nonbank mortgage activity.

- Provide licensees with the ability to automate the provision and retention of financial condition and activity data to one or more state regulators in a single, uniform manner.
Who Submits?

- Companies in NMLS that are
  - State licensed, or
  - Employ state licensed mortgage loan originators
NMLS Mortgage Call Report broken into two categories:

• **Standard Mortgage Call Report**
  – Quarterly application and closed loan information
  – Annual unaudited financial information

• **Expanded Mortgage Call Report**
  – Quarterly expanded application/closed loan/servicing information
  – Quarterly unaudited financial information
• Is Your Company a Fannie Mae or Freddie Mac Approved Seller/Servicer or a Ginnie Mae Issuer?
  – **YES**: Complete the Expanded NMLS Mortgage Call Report
  – **NO**: Complete the Standard NMLS Mortgage Call Report
• Quarterly Activity Reporting
  – Due 45 days from end of Calendar Quarter
  – Reported on a state by state basis
  – Application Data
  – Closed Loan Data
  – MLO Data
  – Lines of Credit

• Annual Financial Condition
  – Due 90 Days from company’s Fiscal Year End
Expanded NMLS Mortgage Call Report

- Includes the Quarterly Activity Reporting of the Standard NMLS Mortgage Call Report
- Added servicing section reported by state
- Added origination information reported by state
- Expanded quarterly unaudited financial reporting (not by state)
- Based on the Mortgage Bankers’ Financial Reporting Form (MBFRF) currently required by Fannie/Freddie/Ginnie
How to Submit?

• All NMLS Mortgage Call Report data is submitted electronically through company’s NMLS account
  – Nothing can be submitted outside NMLS

• Manual Entry or XML Upload Options
  – Ability to combine Manual and XML options for different components
NEW FILINGS: If you have an XML file of your MCR filing, click Upload New MCR to upload your file. If you plan to complete your MCR filing manually, click Create New MCR to have NMLS generate a new filing for completion. Visit the Mortgage Call Reports page on the NMLS Resource Center for additional information about starting your MCR filing.

AMEND OR SUBMIT A FILING:
Pending and processed Mortgage Call Report (MCR) filings for the past two years are listed below, including filings recently created by XML upload. Choose one of the following icons to perform an action on an existing MCR filing:

Icon  Action
-  View, Edit and/or Submit a filing
×  Delete a pending initial filing
ientes pending amendments to a processed filing
+  Upload an XML file to amend the filing

<table>
<thead>
<tr>
<th>Available Actions</th>
<th>Year</th>
<th>Period</th>
<th>Period End Date</th>
<th>Format</th>
<th>Status</th>
<th>Last Updated By</th>
<th>Last Updated Date</th>
</tr>
</thead>
</table>
Select the Year and Period for the Mortgage Call Report (MCR) filing being created. If you choose to create a Year to Date filing, you will be required to provide a Period End Date.

Once you select the year and period, click the button to create the MCR filing in the format required for your company. In most cases, an Expanded MCR filing should only be submitted if your company holds Fannie Mae, Freddie Mac and/or Ginnie Mae approval(s). Visit the Mortgage Call Reports page on the NMLS Resource Center for additional information regarding MCR filing requirements.

Year: 2011  Period: Q3

**Filing Type**

You should only submit a filing in expanded format if you are an approved Fannie Mae or Freddie Mac Seller/Servicer or Ginnie Mae Issuer, unless your state regulator has instructed you to submit an expanded MCR filing.

Create Standard MCR  Create Expanded MCR
## MCR Components List

**SRI International (401859) 2011 Q3 Expanded MCR filing created 4/18/2011 by RasmussSE2.**

### Complete or Edit an MCR Component (FC or RMLA)
Choose one of the following icons to perform an action on the corresponding component:

- **Icon**
- **Action**
  - View a component (will not impact "Ready to Submit" status)
  - Complete, Edit and/or run the Completeness Check for the component
  - Delete all data from a required component or Delete the entire component if not required
  - Undo a pending change to a previously submitted component

If you want to manually create an RMLA component for a state not already listed, click **Add New RMLA**.

### Upload Amendments
If you have an XML file containing new or amended FC and/or RMLA components, click **Upload FC** or **Upload RMLA**.

### Submit your MCR Filing
Click **Completeness Check and Submit** to submit your filing once all components are in a "Ready to Submit" or "Processed" status. To place an un-submitted initial or amended component in a "Ready to Submit" status, you must run the Completeness Check by selecting **✓** next to the component, selecting Completeness Check on the left panel, completing all required actions and clicking Ready to Submit.

Below please find a list of the Financial Condition (FC) and Residential Mortgage Loan Activity (RMLA) components included in the selected Mortgage Call Report (MCR) filing.

#### Financial Condition (FC)

<table>
<thead>
<tr>
<th>Available Actions</th>
<th>Required</th>
<th>Status</th>
<th>Last Updated By</th>
<th>Last Updated Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="✓" /> <img src="image" alt="✓" /></td>
<td>Y</td>
<td>Pending Initial</td>
<td>RasmussSE2</td>
<td>4/18/2011</td>
</tr>
</tbody>
</table>

#### Residential Mortgage Loan Activity (RMLA) Component(s)

<table>
<thead>
<tr>
<th>Available Actions</th>
<th>Required</th>
<th>State</th>
<th>Status</th>
<th>Last Updated By</th>
<th>Last Updated Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="✓" /> <img src="image" alt="✓" /></td>
<td>Y</td>
<td>Iowa</td>
<td>Pending Initial</td>
<td>RasmussSE2</td>
<td>4/18/2011</td>
</tr>
</tbody>
</table>
RMLA: Section I

For line-by-line field definitions and data formatting requirements click ☞ on the sandbar above. Enter zero for none or not applicable. After entering data, you must click Save to update field values and calculate totals.

### APPLICATION DATA

<table>
<thead>
<tr>
<th>Type of Action Taken</th>
<th>Directly Received From Borrower</th>
<th>Received From 3rd Party</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC010 Applications In Process at the Beginning of the Period</td>
<td>Amount ($)</td>
<td>Count (#)</td>
</tr>
<tr>
<td>AC020 Applications Received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC030 Applications Approved but not Accepted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC040 Applications Denied</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC050 Applications Withdrawn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC060 File Closed for Incompleteness</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC070 Loans Originated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC080 Applications in Process at the End of the Period</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### CLOSED LOAN DATA

<table>
<thead>
<tr>
<th>Forward Mortgages</th>
<th>Broketed</th>
<th>Closed - Retail Application</th>
<th>Closed - Wholesale Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Type</td>
<td>Amount ($)</td>
<td>Count (#)</td>
<td>Amount ($)</td>
</tr>
<tr>
<td>AC100 Conventional</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC110 FHA-Insured</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC100 VA-guaranteed</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### RMLA: Section I – Lines of Credit

**SRI International (401859) Iowa Expanded RMLA filing created 4/18/2011 by RasmussSE2.**

Click **Add New** to provide information regarding all of your company’s lines of credit, not just those specific to this state. After you enter information in a row and press enter or click **X**, the row will be saved and a new row will be generated allowing you to provide information regarding multiple lines of credit, if applicable.

Click **X** on the sandbar above for information on data formatting requirements and line-by-line field definitions.

<table>
<thead>
<tr>
<th>Record ID</th>
<th>Name of Provider</th>
<th>Credit Limit</th>
<th>Remaining Credit Available at Period End</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Provider 1</td>
<td>100000</td>
<td>50000</td>
</tr>
<tr>
<td>2</td>
<td>Provider 2</td>
<td>500000</td>
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RMLA: Section I – MLOs


Click Add New to provide information regarding mortgage loan originators (MLOs) you employed during the period. After you enter information in a row and press enter or click , the row will be saved and a new row will be generated allowing you to provide information regarding multiple MLOs.

Click on the toolbar above for information on data formatting requirements and line-by-line field definitions.

<table>
<thead>
<tr>
<th>Record ID</th>
<th>MLO NMLS ID</th>
<th>Employee Name</th>
<th>Amount ($)</th>
<th>Count (×)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>389544</td>
<td>Jetson, Ethy</td>
<td>500000</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>401860</td>
<td>McDonald, Oprah Kermit</td>
<td>100000</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Totals: 2</td>
<td>600000</td>
<td>3</td>
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Regulator Use of Data

- More proactive regulation and enforcement
- Risk assessment
- Scheduling and scoping examinations
- Allocation of resources
How to Prepare?

• Review NMLS Mortgage Call Report on NMLS Resource Center:
  – Questions
  – Field Definitions

• Begin gathering the information now

• Complete the call report on paper as a test run
• NMLS Resource Center
  – Examples of broker, lender, wholesale activities and which portions of the NMLS Mortgage Call Report must be completed
  – Definitions and Instructions
  – XML Specification Information
  – FAQs
  – NMLSMCR@csbs.org Email Box
We will now take questions for the presenter followed by some committee administration items. If you would like to ask a question, please press the * key followed by the 1 key (*1) on your touch-tone phone now. Questions will be taken in the order in which they are received. If at any time you would like to remove yourself from the questioning queue, press *2.
IV. Introduction of New Members

V. Member Alerts / Recent Developments / Upcoming Events

VI. Discussion of Conference-Call Presentation Topics for Future Meetings

VII. Follow up/Conclusion
Thank you for joining us today. Please mark your calendar for our next call which will be held as follows:

**Thursday, May 26, 2011**
**11:00 a.m. Pacific**

**Topic:** Lender Assessment of Risk and Controls (LARC) Audit Preparation

**Speaker:** Annemaria Allen, *The Compliance Group*

- For all Fannie Mae approved lenders
- Learn how to prepare for this comprehensive audit