

2017 MLO What's New?

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Division of Financial Institutions

Department of Commerce and Consumer Affairs

Agenda

- New laws
- Do you advertise?
- Exam findings – Did you do this, too?
- Renewal reminders

New laws – changes to HRS 454F

- 454F-1 (Definitions)
- "Executive officer" means a president, chairperson of an executive committee, senior officer responsible for a subject entity or organization's business, chief financial officer, or any other person who performs similar functions related to the subject entity or organization.
- "Qualified individual" means an individual who is responsible for the oversight of mortgage loan originators that are employed by or contracted to perform work for a mortgage loan originator company [-] or an exempt sponsoring mortgage loan originator company.

New laws – Nonprofit organizations

- 454F-1.7 and 454F-10.5
- An exempt sponsoring MLOC is required to have a principal place of business in Hawaii and a Qualified Individual
- 454F-25
- Clarifies that nonprofit organizations' employee exemption is dependent on the nonprofit organization's valid registration in NMLS
- Nonprofit organization must designate an employee to directly manage and supervise its MLO activity

New laws – Criminal Background Checks

- 454F-4
- Clarifies that the criminal history background check fee is a pass-through third-party fee.
- 454F-18
- Refined list of persons who must disclose their criminal histories and be subject to a criminal history record check.
 - Control persons
 - Executive officers
 - Directors
 - General partners
 - Managing members
- 454F-22
- Changed from a fixed CPB fee to the applicable fee charged by FBI & HCJDC

New laws – Change in Control requests

- 454F-10.7
- Persons who obtain control of the licensee must be compliant with Chapter 454F upon approval of the change in control application.

Questions??

Do You Advertise?



Advertising - Deceptive

RATE LOCK DEPARTMENT

RE: Home Mortgage

Benefit ID # 6971586

Contact:

We have great news! Would like to discuss your Home Mortgage loan to determine if you qualify for one of the lower rate options.

Your Home Mortgage loan has been reviewed by our Rate Lock department and your current interest rate is higher than market interest rates today. You may be eligible to have your loan moved to a lower interest rate and better terms, which may reduce your monthly payment and may include no fees.

Under the specifications of this program your ~~\$266,400.00 mortgage~~ and taking cash out of ~~\$17,982.00~~ would have a lower monthly payment.

Based on current records we have reviewed your property information and have determined that you may be eligible to change the current terms of your mortgage.

**Call to check eligibility Due to high volume of calls,
please have your Benefit ID # 6971586 available**

Monday thru Friday 7:00am – 8:00pm and Saturday 9:00am – 2:00pm PST

Advertising – Deceptive

- Distributing mail solicitations to consumers that deceptively appear as if they originated from consumer's current lender.
 - List the unique identifier of loan originator on all solicitations and advertisements.
 - Ensure that the solicitation/advertisement appropriately lists the company's identifying information so the consumer can clearly identify who generated the solicitation.
- Laws
 - 454F-17 Prohibited Practices
 - FTC Section 5 Unfair or Deceptive Acts or Practices

Advertising - Disclosures

Your Purchase Specialist

2 MONTHS' RENT
COULD GET YOU INTO
YOUR DREAM HOME

PURCHASE YOUR HOME WITH **1% DOWN**
Find our daily rates in the Star Advertiser Local section

CALL FOR DETAILS

Now Hiring

- You put down:
1% (\$500,000 purchase price x 1% = \$5,000)
- Lender contribution:
2% (\$500,00 purchase price x 2% = \$10,000)
- 30-Year Fixed Rate
- Available with NO MORTGAGE INSURANCE
- Owner occupants only

MORTGAGE BANKERS ASSOCIATION
HAWAII

Advertising - Disclosures

- Advertising terms that require additional disclosures.
 - If advertisement contains any of the triggering terms listed in (1) the advertisement must also contain the additional terms listed in (2).
- Law TILA 12 CFR 1026.24(d)
- (1) Triggering terms.
 - The amount or percentage of any down payment.
 - The number of payments or period of repayment.
 - The amount of any payment.
 - The amount of any finance charge.
- (2) Additional terms.
 - The amount or percentage of the down payment.
 - The terms of repayment.
 - The “annual percentage rate,” and any increases.

Advertising - Misrepresentation

The screenshot shows a web browser window with a dark theme. The address bar contains a URL starting with 'www'. A red box highlights the address bar. Below the address bar, a navigation menu includes links for 'OUR PRODUCTS', 'VETERAN'S CORNER', 'MEET THE TEAM', 'APPLY ONLINE', 'ABOUT US', and 'CONTACT US'. A 'Call Us:' button is also visible. The main content area features two columns: 'Refinancing' and 'Veteran Resources'. The 'Refinancing' section includes text about Streamline Refinance and Cash-out Refinances. The 'Veteran Resources' section lists 'DAV', 'VA', and 'Request your DD214'. A large banner at the bottom features a sunset background and text: 'If you recently closed on your VA loan at a higher rate this doesn't have to haunt you for 30 years. We can still drop your rate with no waiting period / no appraisal / no income / asset documents. This streamline process takes less than 30 days.' A blue circle highlights this text. Below the text is a button that says 'Watch [redacted] Webinar Now!'. A red box highlights the button. At the bottom left, there is a link for 'Clear recent files'.

Advertising - Misrepresentation

Hello [redacted] my name is [redacted]

I work for one of the nation's largest VA lenders and will be scheduled to be in [redacted] during the next couple of weeks. I would like to be invited into your home to share an important VA home loan benefit program that is available to Hawaii Veteran homeowners.





Below is what this program could provide [redacted] Veterans; learn more by calling [redacted]

→ Simply by calling I will give you a \$10 VISA gift card!** ←

Example	*YOUR 1 YEAR SAVINGS	YOUR EST. PAYMENT*
Savings:	\$1,690.34	\$845.17

During the few minutes that I spend with you in your home I can share some of the other program highlights you may be entitled to such as:

\$100 CASH
Just for meeting with me in YOUR HOME!!!

-  NO minimum credit score
-  NO employment verification required
-  NO appraisal or home value needed
-  CASH refund from current lender

\$100 CASH
Just for meeting with me in YOUR HOME!!!

Call our VA loan Expert to learn more about this limited opportunity to save!

[redacted] OR [www.\[redacted\].com](http://www.[redacted].com)

Advertising - Misrepresentation

- Misrepresenting or incorrectly advertising VA's Interest Rate Reduction Refinance Loan.
 - Ensure that IRRRL loan program requirements guidelines are accurate and current. Contact VA for confirmation if necessary.
- Laws
 - 454F-17 Prohibited Practices
 - FTC Section 5 Unfair or Deceptive Acts or Practices

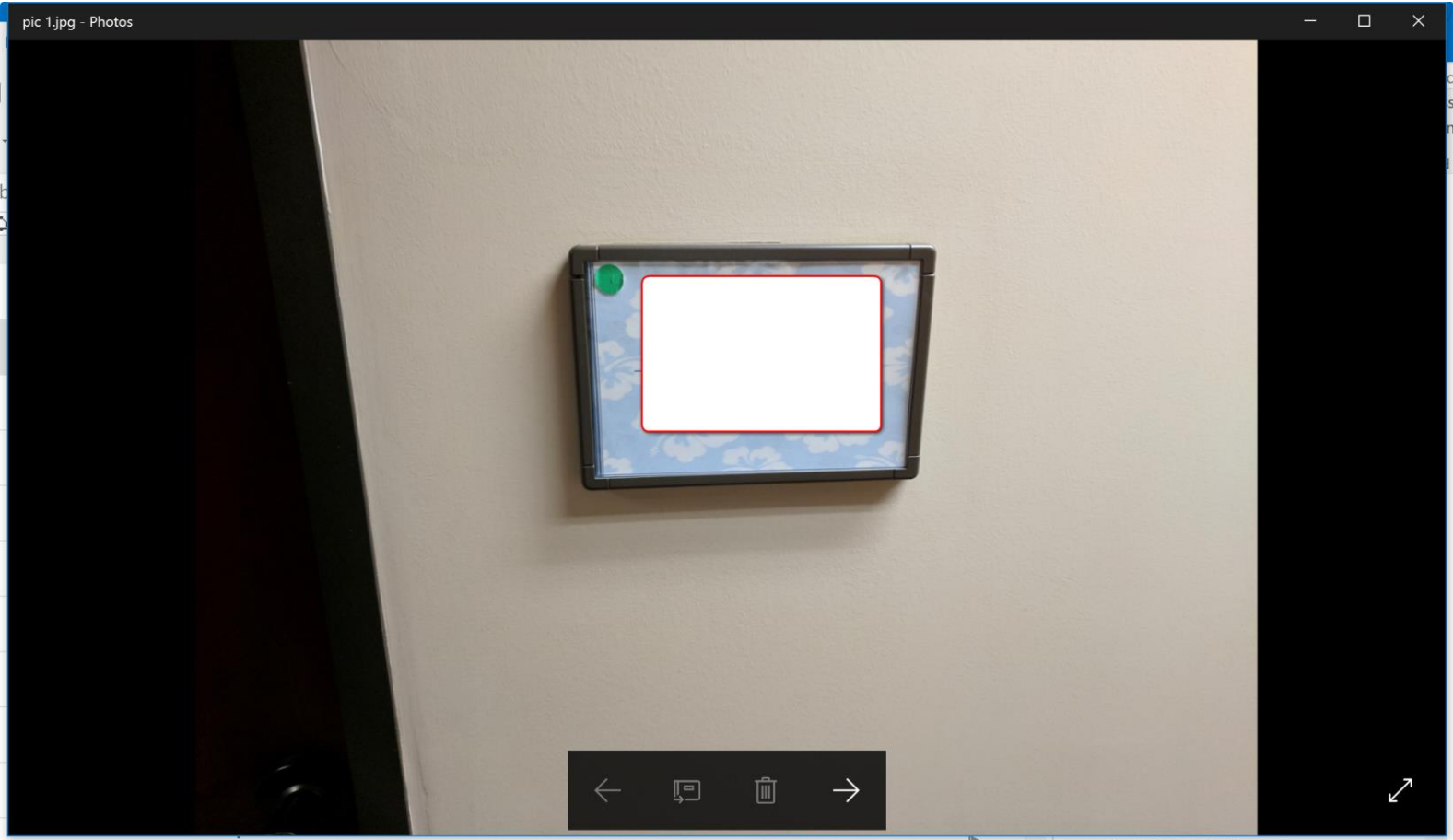
Advertising – Office Hours #1



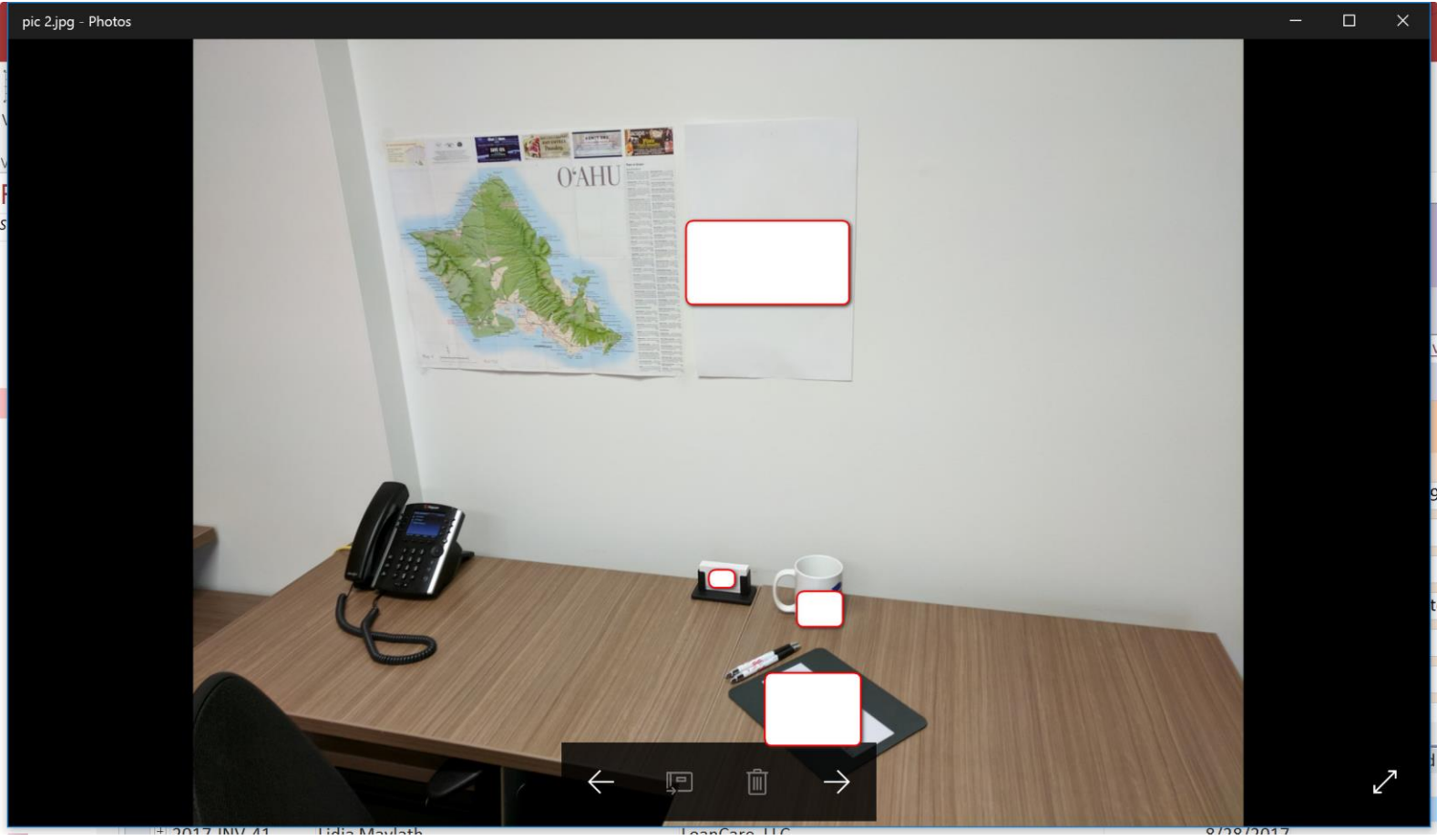
Advertising – Office Hours



Advertising – Office Hours #2



Advertising – Office Hours #2



Advertising – Office Hours #2



Advertising – Office Hours #2



Advertising – Office Hours #2

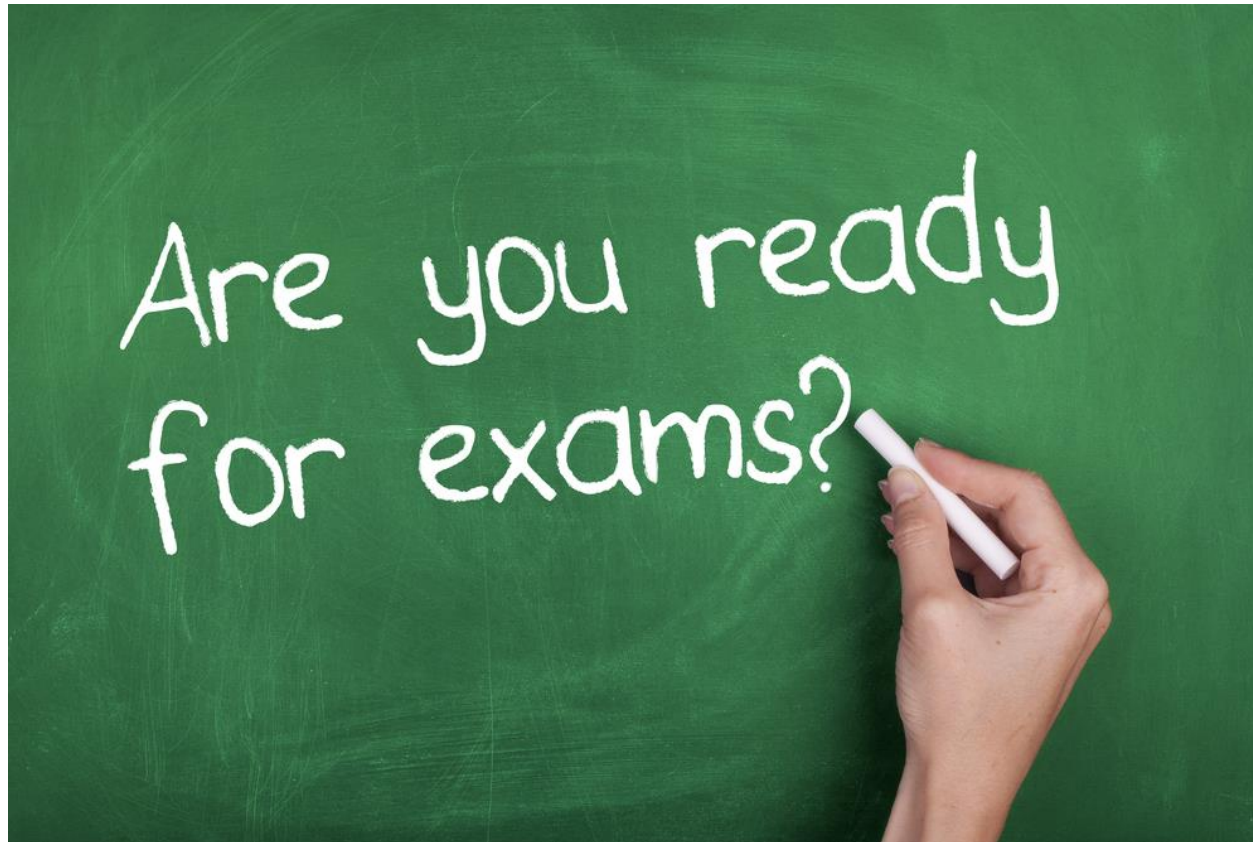


Advertising – Office Hours #2

- Misrepresenting or incorrectly advertising branch office
- Office hours not posted; also not posted on website, email, stationary
- Laws
 - 454F-10.5(g) Branch office hours
 - Each such location shall be open for business to the public during posted business hours, at least some of which shall be during regular business hours.
... Business hours, whether posted at a location or on a mortgage loan originator company website, shall be displayed in a clear, conspicuous, and accurate manner that informs the consumer when the location will be open.

Questions??

Exam Findings – Frequently Violated Sections of Law



Exam Findings - AMCs

- New statute regarding Appraisal Management Companies are required to be state licensed.
- As part of your vendor management oversight MLOCs who use AMCs for assigning appraisals should ensure the AMC is licensed with DCCA.

Exams Findings - Fees

- Lender credit showing up on the LE and being removed on the CD.
- Fees disclosed incorrectly on the initial LE and being updated on the 2nd LE without a proper change in circumstance.
- Best practices:
 - Document all correspondence (emails, calls, letters) on a correspondence log
 - Create a document disclosure checklist that lists all of the disclosures provided to the applicant and have them sign this checklist. Several disclosures do not require customer signatures. Having a checklist acknowledging receipt of said disclosures and signed by the consumer mitigates compliance risk.

Exam Findings – Incorrect Disclosures

- ECOA notice listing OCC as federal regulatory agency
 - Non-bank MLOCs should list FTC.
- Privacy Notice incorrect –
 - States that MLOC does not share any customer information in the normal course of business – should be yes.
 - Can the consumer limit this sharing – answer should be no.
- Notice of Action Taken does not include the FTC’s name and address.
- Should periodically review disclosures from the LOS to determine if it is correct. Don’t rely on the vendor.

Exam Findings - Notices

- Hawaii Civil Union Addendum – Potential ECOA violation
 - Okay to provide; however, should not ask for spouse or partner's name if the person is not a co-signor or co-borrower
- Foreclosure Notice – some originators not providing this disclosure as required under Chapter 667 HRS.

Exam Findings – Responsibility of QIs & BMs

- QI or BM assigned these titles in name only and not necessarily performing the duties as required by statute.
 - Review 454F-1.7, HRS. If part of national lender, inform your corporate office of this section of the statute.
- De Minimis Activity Policy – exception in policies: “Employees who have never been registered or licensed through the NMLS as an MLO and who have acted as an MLO for 5 or fewer residential mortgage loans during the last 12 months are not required to register.” Chapter 454F, HRS, does not allow this exemption.

Exam Findings – BSA/AML Policy

- Policies not customized.
 - 100 pages
 - Another company name used
- Company does not have risk assessment.
 - BSA Officer does not know how to develop a risk assessment.
- Independent transaction testing requirement.
- OFAC – Company does not perform OFAC check.

Questions??

Renewal Reminders



Renewal Reminders – NMLS Renewal page

- State Licensing Requirements
- Common Requirements
 - Annual Renewal
 - Policy
 - Electronic Surety Bond
 - Financial Statements
 - Professional Standards
 - Mortgage Call Report
 - Uniform Authorized Agent Reporting
 - Advance Change Notice
 - Money Services
 - Businesses Call Report
- Resources & Support
 - Quick Guides - Company
 - Quick Guides - Individual
 - Report Samples
 - NMLS Expanded Industries
 - NMLS Call Center Information
 - Account Administration
 - Policy/Help Documents
- NMLS Expanded Industries

NMLS Resource Center > State Licensing > Common Requirements > Annual Renewal

Annual Renewal Information

Renewal for 2018 will begin November 1, 2017.

Information for the 2018 renewal period is available below to prepare for and complete company and individual renewals when available beginning November 1st. Select the respective steps for the renewal process below to review the details, requirements, and resources.

2018 Renewal Checklists

Need a quick overview of the Individual renewal process?

- View a quick three minute video on the renewal process [here](#).
- View a one-page visual overview of the Individual renewal process [here](#).

Step 1 – Prepare for Renewal ▼

Step 2 – Make Sure Your Record is Up To Date in NMLS ▼

Step 3 – Review Deadlines, Requirements, and Fees ▲

Review all applicable state(s) renewal requirements. Select an Agency, Entity Type and License Name using the drop-down box below to determine renewal deadlines, requirements, fees, etc. Licenses not required to renew through NMLS for 2018 will not be available for section below. [Click here for more information](#).

*Agency:

*Entity Type:

*License Name:

Renewal Reminders

- November 1 – December 31, 2017
- **December 1** – Last day to apply for renewal for Hawaii
– to guarantee review before renewal period ends
- Clear any flags or you may be blocked from renewing

Renewal Reminders

- Credit reports – DFI will accept up to 30 days prior to renewal application
- CE hours – 8 hours to include 1 Hawaii specific CE
- Federal criminal background check – DFI will accept up to 90 days prior to renewal application

Last Chance. . .

for questions

Contact Us

Division of Financial Institutions: Mortgage section

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