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The Quarter

Newsletter of the Pennsylvania Department of Banking

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DEPARTMENT OF BANKING

Protect. Regulate. Inform.

State Regulators Can Help Shape the Answers to the Dodd-Frank Questions

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The Office of Financial Education has been recognized for its groundbreaking work by the Ash Center for Democratic Governance and Innovation at the John F. Kennedy School of Government, Harvard University, as well as the Institute for Financial Literacy. **Learn more**

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State Regulators Can Help Shape the Answers to the Dodd-Frank Questions

by **Steve Kaplan**, Secretary of Banking

When President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act into law in July, the roles of financial regulators at all levels changed, as did the historic relationships between regulatory agencies. The nature and extent of those changes, however, remain unclear as the law is translated into new realties in structure and practice.

In the meantime, though, state regulators can play a positive role in answering the questions posed by Dodd-Frank by actively asserting themselves in the new regulatory regime. State regulators can:

1. **Coordinate multi-state initiatives and responses**. On issues relating to the application of state law to federally chartered entities, state regulators will be most effective if they pursue a common, coordinated strategy. States' successes with initiatives like the Multi-State Mortgage Committee amply demonstrate that states can effectively and efficiently cooperate with each other, enforce laws and protect consumers.

2. **Find and analyze data**. Everyone employed in government service understands that one of our most difficult challenges is finding, acquiring and analyzing data. State regulators can be most effective when they devote resources to acquiring and analyzing data that will: 1) give us a strong, factual basis on which to rest policy decisions; and 2) help us to predict and prevent – rather than merely react to – crises.

3. **Protect consumers**. State regulators need to act affirmatively to protect consumers, a role that federal regulators have historically been neither equipped nor disposed to pursue. While helping the new Consumer Financial Protection Bureau to establish nationwide minimums for consumer protection, state regulators should also counsel their administrations and legislatures on any additional measures that may be necessary to protect consumers in their unique geography and circumstances.

4. **Promote financial education**. Through initiatives like the Pennsylvania Office of Financial Education, state financial regulators can help to prevent economic crises by ensuring that our children, neighbors and coworkers command the basic knowledge necessary to thrive in our complex society. Understanding the difference between wants and needs, how to save and borrow and that not all credit cards are created equal are necessary elements of their and our ability to prosper. *(continued next page)*

5. **Foster economic development**. The financial services industries that we regulate are critical elements of the economies of our region and nation. Economic security depends not only on safe and sound financial institutions, but also on robust economic activity. State regulators can be most effective when they participate as regulators *and* facilitators. Where else can your state's business and lending communities go for technical assistance on complex issues such as government loans and guarantee programs, tax credits and/or government grant programs? If there is a void in a statewide system, the expertise of the state financial regulator can help fill it.

State financial regulators understand that the new federal regulatory apparatus created by Dodd-Frank will take years to assume its final form and function. In the meantime, states need not wait for answers to the many questions raised by Dodd-Frank. By acting now, we can ensure important and relevant roles for state financial regulators in the new regulatory and consumer protection structures and also foster economic prosperity of our states.

Licensing

Important Mortgage Licensing Renewal Information

All Mortgage Originators licensed in Pennsylvania have until December 31 to meet the following requirements for renewal of their licenses for 2011:

- **Continuing Education:** During 2010, all Mortgage Originators that held a Mortgage Originator license during 2009 must complete eight hours of Nationwide Mortgage Licensing System & Registry (NMLS) approved continuing education -- including one hour of PA-specific.

- **FBI Fingerprint Criminal History Background Check:** All licensed Mortgage Originators are required to submit fingerprints through NMLS so that a national criminal history background check with the FBI can be conducted. Mortgage Originators who have NOT had the FBI criminal history background check performed ***through*** NMLS must do so by Dec. 31, 2010. Mortgage Originators can initiate the process of submitting fingerprints and requesting an FBI criminal history background check by logging into their NMLS account and following the instructions in the system.

- **Credit Report:** Beginning Oct. 30, 2010, NMLS will be able to process credit reports for Mortgage Originators (applicants and licensees). All currently licensed Mortgage Originators must authorize and pay for a credit report and credit score through the NMLS by December 31. Beginning on October 30, Mortgage Originators can initiate the process of authorizing and requesting a credit report through the NMLS by logging into their NMLS account and following the instructions in the system.

Prior to the license renewal period (November 1 through December 31) it is imperative that each licensed Mortgage Originator check his/her record on NMLS to confirm the accuracy of their information and to check for and resolve immediately any outstanding Requirements and/or Deficiencies. Failure to do so prior to submitting license renewal *will* delay processing of the license renewal request.

For questions, clarification or assistance with mortgage license renewals, please call the Department of Banking Licensing Division at (717) 787-3717 or visit the Department of Banking **website** or the **Nationwide Mortgage Licensing System and Registry**.

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Katrina Ryan Boyer
Consumer Group Relations Coordinator

Banking Department Reaches Out to Community and Business Groups to Protect Consumers

Still new in her position as Consumer Group Relations Coordinator, Katrina Ryan Boyer has just returned from a meeting with the Philadelphia Corporation for Aging filled with ideas about how to better serve consumers with questions about complex financial transactions.

"I learned that many senior citizens in Philadelphia are concerned about reverse mortgages," she says. "We are seeing an explosion of advertising of reverse mortgages, including some using famous actors. Naturally, senior citizens all over Pennsylvania are asking questions, but a lot of their children are also asking questions about reverse mortgages on behalf of their parents."

Boyer travels throughout Pennsylvania to meet with groups of housing counselors, senior citizens groups, nonprofit community groups and faith-based organizations to discuss the work of the Department of Banking, promote ways for consumers to protect themselves in the increasingly complex financial marketplace and answer questions and receive people's concerns.

"When I took this job, I was told to be the 'eyes and ears' of the Department of Banking so that we could learn more about problems confronting people and how to better respond to consumer concerns such as home foreclosures or how to deal with their bank or credit union," she says. "In addition, my going into the community is one more way to help people learn how to make more informed financial decisions." While she has been asked mostly about reverse mortgages, she is planning to address how consumers can protect themselves from a variety of scams as well as identification theft.

Boyer, who began working in the Office of Consumer Services in 2004, took on this new role last spring. She is developing plans to meet with Area Agencies on Aging throughout Pennsylvania as well as business and community groups and others interested in learning more about consumer protection and financial services.

If you would like Boyer to meet with or address your group, you can call her at (717) 214-5565. You can learn more about the Department of Banking's community outreach online **here**.

Office of Financial Education Earns National Awards

The Office of Financial Education has been recognized for its groundbreaking work by the Ash Center for Democratic Governance and Innovation at the John F. Kennedy School of Government, Harvard University, as well as the Institute for Financial Literacy.

Standing: Becky MacDicken, Julie Gibert,
Seated: Mary Rosenkrans, Holly Chase

The Office received an Excellence in Financial Literacy Education award from the IFL for "Not for Profit Organization of the Year" and was named a "Bright Idea" by the Ash Center.

"These honors say a lot about the importance of financial education and the innovation required for this work to be effective," said Secretary of Banking Steve Kaplan. "I am pleased and proud that Pennsylvania is receiving national attention for being a leader in promoting financial education across the state."

The Institute for Financial Literacy created the Excellence in Financial Literacy Education award in 2007 to acknowledge innovation, dedication and the commitment of those that support financial literacy education. The IFL is a national authority on adult financial education that works with organizations to incorporate financial education into their existing services.

Bright Ideas is an initiative of the Ash Center's Innovations in Government Program, which spotlights exemplary models of government innovation and advances efforts to address the nation's most pressing public concerns. The Ash Center launched the Bright Ideas program this year and selected 173 government initiatives for recognition from a field of nearly 600 applicants.

The Office of Financial Education is the only state government office of its kind in the nation. It was created in 2004 to help working families develop budgeting skills, acquire financial knowledge and gain access to resources that promote financial self-sufficiency. Its initiatives have increased the availability and quality of financial education in Pennsylvania's schools, communities and workplaces, and its programs have assisted more than 2,000 K-12 teachers, impacted 400,000 students and worked with more than 400 non-profit organizations and two dozen companies.

The office also strives to coordinate the many personal finance-oriented efforts of state government and manages the "Your Money's Best Friend" website, **www.moneysbestfriend.com**, which provides introductory information and resources on a wide array of financial topics.

Most Common Violations of the Mortgage Licensing Act

1. **Unlicensed activity (unlicensed loan originators and unlicensed branches)**
2. **Failure to use the PA Consumer Mortgage Disclosure Form**
3. **Lack of control and oversight by management**

The Consumer Mortgage Disclosure Form can be downloaded **here** (use the "Forms & Applications" tab). If you have questions, please call our Licensing Division at (717) 787-3717.

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SAFE Act

When the federal SAFE Act was passed in 2008 and Pennsylvania mortgage reform legislation became law in 2008 and 2009, the Department of Banking anticipated that two enforcement issues would emerge: failure of mortgage originators to meet SAFE Act education, testing and bonding requirements and unlicensed activity.

In response, in the third quarter of 2010 the department's Bureau of Compliance, Investigation, and Licensing launched an initiative to identify unlicensed mortgage activity. To date, the department has issued 24 consent orders for unlicensed mortgage activity, with associated fines totaling $456,250. This initiative is expected to continue into 2011.

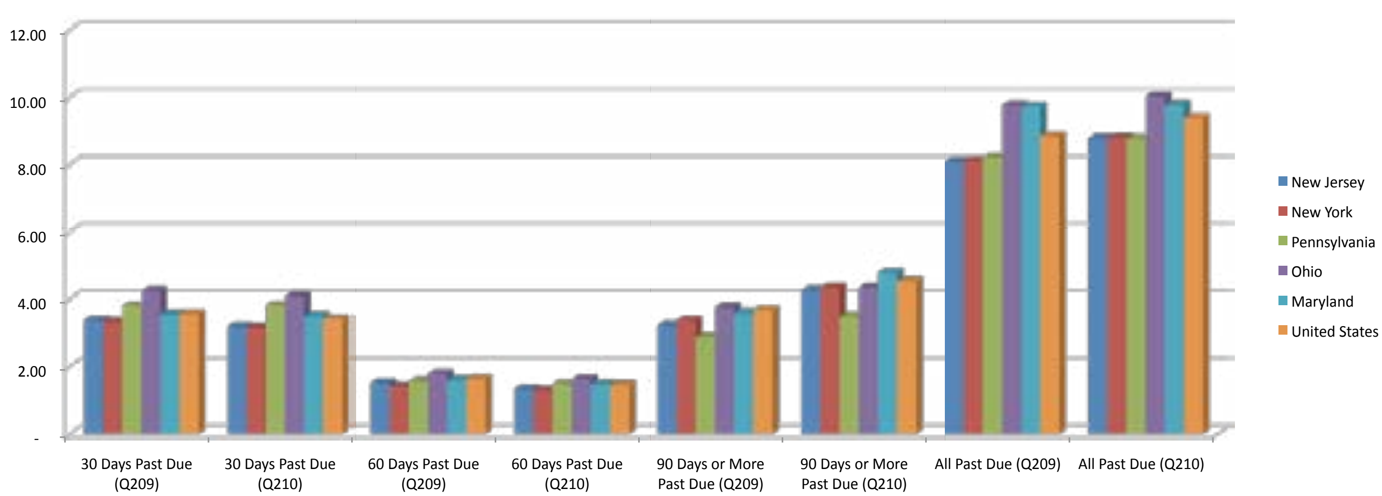
The deadline for PA licensed mortgage originators to meet SAFE Act requirements was July 31, 2010. While more than 85 percent of mortgage originators in Pennsylvania passed all requirements, the department suspended the licenses of 869 individuals; 673 for failure to pass the required test and 196 for other reasons such as failing to complete the pre-licensing education and failing to obtain company sponsorship.

Individuals failing to meet federal SAFE Act standards are eligible to reinstate their license once they meet all SAFE Act standards.

RESEARCH QUARTER

Percent of Past Due Mortgage Loans

Q2 2009 vs. Q2 2010



Data Source: National Delinquency Survey