

**DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
OFFICE OF CONSUMER FINANCE**

Mortgage Industry Advisory Board

BOARD MEETING MINUTES

February 27, 2019

ROLL CALL

Present: Audrey Acquisti
Donald Calcaterra Jr.
Teri Heindrichs – via telephone
Allison Johnston – via telephone
Timothy Kleyla – via telephone
Michelle Kirsten – via telephone
Bill Roberts – via telephone

DIFS Staff: Brenda Gardner
Kirt Gundry
Barbara Strefling
Michelle Tullar
Mark Weigold

Call to order at 8:36 am

- Motion to approve 11/7/18 minutes; motion passed
- Motion to approve 2/27/19 agenda; motion passed

DIFS Updates

- Current licensee population/statistics
 - MLO Licensees
 - 2/13/19: Total 10,924 – 10,372 approved, 1 approved-surrendered, 551 approved-inactive
 - 2/13/18: Total 11,331 – 10,873 approved, 1 approved-surrendered, 457 approved-inactive
 - Applications currently pending: 136
 - First Mortgage Licensees and Registrants
 - 2/13/19: Total 755 – 534 licensees, 221 registrants
 - 2/13/18: Total 722 – 501 licensees, 221 registrants
 - Applications currently pending: 25 (21 licensees/4 registrants)
 - Secondary Mortgage Licensees and Registrants
 - 2/13/19: Total 257 – 1 licensee, 256 registrants
 - 2/13/18: Total 238 – 1 licensee, 237 registrants
 - Applications currently pending: 8 (3 licensees/5 registrants)
 - CFS Licensees
 - 2/13/19: 6
 - 2/13/18: 7
 - Applications currently pending: 0

- New Applications Received
 - MLOs
 - 2019 year-to-date: 402
 - 2018 total: 4,014
 - First Mortgage Licensees and Registrants
 - 2019 year-to-date: 26
 - 2018 total: 148
 - Secondary Mortgage Licensees and Registrants
 - 2019 year-to-date: 5
 - 2018 total: 44
 - CFS
 - 2019 year-to-date: 0
 - 2018 total: 1
- Federally Registered MLOs for Michigan
 - 12/31/18: 13,400
- Summary of 2018 Renewal Statistics, as of 2/12/19
 - MLO Licensees
 - Eligible for renewal: 13,992
 - Processed and approved: 10,390
 - Terminated: 3,602
 - Run-off percentage: 26%
 - First Mortgage Licensees and Registrants
 - Eligible for renewal: 784
 - Processed and approved: 739
 - Terminated: 45
 - Run-off percentage: 6%
 - Secondary Mortgage Licensees and Registrants
 - Eligible for renewal: 265
 - Processed and approved: 255
 - Terminated: 10
 - Run-off percentage: 4%
 - CFS Licensees
 - Eligible for renewal: 7
 - Processed and approved: 6
 - Terminated: 1
 - Run-off percentage: 14%
 - Renewal update
 - Renewal notices were issued on 10/23/18 with reminder notices sent 11/27/18; final notices were issued on 12/12/18. DIFS staff reached out to companies with deficiencies via telephone beginning on 11/27/18.
 - MLOs and Companies may reinstate expired licenses during the 1/1/19 through 2/28/19 reinstatement period; late penalty fees of \$25 per day up to a \$1,000 maximum will apply. All licenses not renewed

by 2/28/19 will reflect an NMLS status of “terminated-expired” as of 3/1/19.

- NMLS Annual Conference and Training
 - National conference held 2/18/19 through 2/21/19; six staff members from DIFS attended.
 - NMLS 2.0: Launch date was not yet announced for new system, currently under development.
 - MLO Temporary Authority to Operate (TAO)
 - Several breakout sessions were held regarding TAO
 - NMLS has posted TAO Frequently Asked Questions on its website
 - NMLS will determine initial eligibility and sponsorship for an MLO applicant requesting TAO status. Applicant State will conduct background checks. Generally, States will have the ability to send a Notice of Denial to applicants who do not meet requirements.
 - NMLS expects two status types for TAO applicants: TA eligible and TA granted. TAOs must be employees of sponsor; independent contractors paid via 1099 will not be eligible for TAO status.
 - State Examination System (SES)
 - NMLS is targeting the initial launch of SES in late 2019.
 - SES will serve as an exam management system that will help standardize workflows, facilitate communication between licensees and state regulators, and allow for confidential collaboration and sharing of data between and among state regulators and Federal agencies.
 - DIFS was recognized during the conference for its Mortgage Visitation Program. Visitations are used to introduce DIFS examination staff to newly licensed mortgage companies in an effort to create open lines of communication and inform licensees of best practices and common violations of state and federal laws. A visitation is voluntary for the licensee and is usually conducted within the first six months of licensure.
- MLO Temporary Authority to Operate: General discussion held regarding future implementation of the TAO program. DIFS is currently developing language to amend MLOLA to comport with changes in the SAFE Act. An MMLA representative has also contacted DIFS regarding MLOLA amendments. The change in federal law becomes effective 11/24/19.

Licensing/Compliance/Examination/Enforcement Discussion

- Mortgage Examination and Investigation Section (MEIS) Statistics
 - Examinations
 - 2018: 129
 - 2017: 166
 - Investigations
 - 2018: 67
 - 2017: 37

- Visitations for new licensees
 - 2018: 104
 - 2017: 85
- Current Issues
 - DIFS has seen a significant number of new applications filed by companies seeking mortgage broker licenses. Increased activity by MLOs moving from loan origination as individuals to broker licenses under the MBLSLA has been noted. Discussion was held regarding challenges some MLOs face in transitioning to this new authority. The Board reported that there are firms in the marketplace offering products to assist brokers with compliance, including technology platforms, advertising templates, and other compliance tools.
 - General discussion held regarding non-qualified mortgage loans and the increasing demand in the marketplace.

Industry Updates and Agenda Items

- Discussion held regarding loan data points requested by DIFS during examinations, which may differ from data collected in some loan operating systems. Industry requested publication of data points so licensees may track this data if they wish. DIFS advised that a list of loan data points is contained in the Officer/Manager Questionnaire on the DIFS website.
- Discussion held regarding advertising and marketing practices. DIFS will not issue Frequently Asked Questions on federal regulations, but will continue to work with licensees during examinations to discuss acceptable marketing practices.
- GSE Reforms: Ongoing discussions are being held in Washington, D.C.
- GNMA Guidelines: Discussion held regarding GNMA's changing requirements that favor large lenders and present concerns for small community lenders.
- CFPB: Discussion held regarding Industry concerns with loan officer compensation. Industry groups have reached out to CFPB in an effort to engage on this topic.

Next meetings

- May 15, 2019: 8:30 am in Lansing
- August 14, 2019: 8:30 am in Lansing

Meeting adjourned at 10:56 am

Allison Johnston, MIAB Secretary

Michelle Tullar, DIFS Recording Secretary

**DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
OFFICE OF CONSUMER FINANCE**

Mortgage Industry Advisory Board

BOARD MEETING MINUTES

May 15, 2019

ROLL CALL

Present: Audrey Acquisti
Donald Calcaterra Jr.
Teri Heindrichs
Allison Johnston
Michelle Kirsten
Timothy Kleyla
Bill Roberts – Excused

DIFS Staff: Alex Dornberg
Brenda Gardner
Kirt Gundry
Nancy Lampman
Barbara Strefling
Mark Weigold
Michelle Tullar – Excused

Call to order at 8:37 am

- Motion to approve 2/27/19 minutes; motion passed
- Motion to approve 5/15/19 agenda; motion passed

DIFS Updates

- Current licensee population/statistics
 - MLO Licensees
 - 5/15/19: Total 11,736 – 10,652 approved, 1,084 approved-inactive
 - 5/15/18: Total 12,448 – 11,091 approved, 1,357 approved-inactive
 - Applications currently pending: 120
 - Approved to date in 2019: 1,065
 - First Mortgage Licensees and Registrants
 - 5/15/19: Total 790 – 564 licensees, 226 registrants
 - 5/15/18: Total 738 – 513 licensees, 225 registrants
 - Applications currently pending: 25
 - Secondary Mortgage Licensees and Registrants
 - 5/15/19: Total 266 – 1 licensee, 265 registrants
 - 5/15/18: Total 244 – 1 licensee, 243 registrants
 - Applications currently pending: 9
 - CFS Licensees
 - 5/15/19: 6
 - 5/15/18: 7
 - Applications currently pending: 0

- New Applications Received
 - MLOs
 - 2019 year-to-date: 1,304
 - 2018 total: 4,014
 - First Mortgage Licensees and Registrants
 - 2019 year-to-date: 79
 - 2018 total: 148
 - Secondary Mortgage Licensees and Registrants
 - 2019 year-to-date: 21
 - 2018 total: 44
 - CFS
 - 2019 year-to-date: 0
 - 2018 total: 1
- Federally Registered MLOs for Michigan
 - 3/31/19: 13,228
 - 3/31/18: 13,505
- Summary of 2018 Year-End Renewals for 2019 Licensing Year
 - MLO Licensees
 - Eligible for renewal: 13,992
 - Processed and approved: 10,449
 - Terminated or expired: 3,543
 - Run-off percentage: 25%
 - First Mortgage Licensees and Registrants
 - Eligible for renewal: 784
 - Processed and approved: 740
 - Terminated or expired: 44
 - Run-off percentage: 6%
 - Secondary Mortgage Licensees and Registrants
 - Eligible for renewal: 265
 - Processed and approved: 256
 - Terminated or expired: 9
 - Run-off percentage: 3%
 - CFS Licensees
 - Eligible for renewal: 7
 - Processed and approved: 6
 - Terminated or expired: 1
 - Run-off percentage: 14%
- NMLS
 - NMLS 2.0: Launch date not yet announced for new licensing system, currently under development.
 - NMLS is targeting the initial launch of the State Examination System – known as SES – in late 2019.
 - MLO Temporary Authority to Operate (TAO): Discussion held regarding future implementation of the TAO program. DIFS is developing proposed

language to amend MLOLA to comport with changes in the SAFE Act, and will share a draft with MMLA when available. The Board indicated industry is willing to work with DIFS to facilitate the legislative process. The change in federal law becomes effective 11/24/19.

- AARMR Annual Conference is scheduled for June 6-8, 2019 in San Diego, California.

Licensing/Compliance/Examination/Enforcement Discussion

- Mortgage Examination and Investigation Section (MEIS) Statistics
 - Examinations
 - 2019 year-to-date: 51
 - Investigations
 - 2019 year-to-date: 27
 - Visitations for new licensees
 - 2019 year-to-date: 37
- Current Issues
 - DIFS continues to see significant application activity for broker-only licenses, often MLOs moving from loan origination as individuals to broker/company licensure. Compliance issues on exams have been noted, possibly because new brokers may not fully understand compliance requirements. These include maintaining complete books and records, producing timely information for an examination, and meeting filing deadlines for mortgage call reports and financial statements.
 - Discussion held regarding occasional slow response times from licensees for information requested prior to examinations. Providing timely responses helps facilitate completion of an exam efficiently and on schedule.
- Kirt Gundry final meeting: DIFS announced Kirt was retiring and this would be his last meeting. The board thanked Kirt for his contributions, noted he will be missed and wished him well in retirement.

Industry Updates and Agenda Items

- GSE Reform: Dr. Mark Calabria, new director of FHFA, would like to end the conservatorship of the GSEs and see action by Congress on housing finance reform. It was noted that GSEs need more capital to protect taxpayers.
- GNMA: Discussion held regarding agency activities, including: GNMA is pleased with review of largest IMBs, with no concerns; agency is reaching out to warehousing lenders; GNMA summit is scheduled for June; and GNMA is concerned with high prepayment speeds and has requested industry comment.
- CFPB: Discussion held regarding possible changes to loan officer compensation. There is a chance that changes may be made to allow FHA commission exceptions and ability to charge MLOs for errors. There is a lesser chance that changes will address compensation adjustments for competitive reasons.
- Connecticut Lender/Regulator Lawsuit on MLO activities requiring licensure: General discussion held; Connecticut regulator has broad MLO definition.
- MIAB Interim Officers: Officer elections were held due to the resignation of Chairman Bill Roberts. Elected officers are as follows: Donald Calcaterra Jr.,

Chairperson; Allison Johnston, Vice Chairperson; and Audrey Acquisti, Secretary. Annual election of officers will be held at the August meeting.

- A vacant seat on the Board now exists with the resignation of Bill Roberts. DIFS will contact the MMLA to request a list of nominees in accordance with Section 33(2)(a) of the MBLSLA. The Board indicated it will assist in identifying nominees. DIFS advised that it seeks a broad-based Board including brokers, lenders, and servicers as well as small and large company representatives.
- MMLA has elected Mark Bigelow to the MMLA State Board of Directors. MMLA has a new committee headed by Mark Bigelow to provide resources to the mortgage broker community in Michigan. A committee name has yet to be determined. There will not be an MMLA compliance conference in 2019.

Next meetings

- August 21, 2019: 8:30 am in Lansing
- November 13, 2019: 8:30 am in Lansing

Meeting adjourned at 11:01 am

Audrey Acquisti, MIAB Secretary

Nancy Lampman, DIFS Acting Recording Secretary

**DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
OFFICE OF CONSUMER FINANCE**

Mortgage Industry Advisory Board

BOARD MEETING MINUTES

August 21, 2019

ROLL CALL

Present: Audrey Acquisti
Donald Calcaterra Jr.
Daniel Grzywacz
Teri Heindrichs
Allison Johnston – via telephone
Michelle Kirsten – via telephone
Timothy Kleyla – via telephone

DIFS Staff: Brenda Gardner
Marissa Hendee
Barbara Strefling
Michelle Tullar
Mark Weigold

Call to order at 8:38 am

- Motion to approve 5/15/19 minutes; motion passed
- Motion to approve the 8/21/19 agenda; motion passed

Board Composition

- Introduction and welcome to new board member Daniel Grzywacz and to the new MEIS Director, Marissa Hendee.
- DIFS announced the retirement of Barbara Strefling, Director of the Office of Consumer Finance. Barb thanked the board for their commitment and dedication. The board thanked Barb and wished her well with her future endeavors.
- Don Calcaterra reviewed the MIAB purpose, history and responsibilities, and member terms. Members whose first term will expire in May of 2020 were asked to consider if they are willing to continue a second term.
- Discussion held regarding the important opportunity the MIAB meetings present for discussions with state regulators and industry. A commitment to MIAB Board Meeting attendance is expected.
- Election of Officers: The following officers were elected by unanimous vote:
 - Allison Johnson, Chairman
 - Audrey Acquisti, Vice Chairman
 - Teri Heindrichs, Secretary

DIFS Updates

- Current licensee population/statistics
 - MLO Licensees
 - August 2019: Total 12,392 – 10,889 approved, 1,502 approved-inactive, 1 approved-surrender/cancellation requested
 - August 2018: Total 13,377 – 11,032 approved, 2,345 approved-inactive
 - Applications currently pending: 104
 - 2019 monthly average: 282 (a drop from last year)
 - First Mortgage Licensees and Registrants
 - August 2019: Total 816 – 590 licensees, 226 registrants
 - August 2018: Total 762 – 538 licensees, 224 registrants
 - Applications currently pending: 24
 - Secondary Mortgage Licensees and Registrants
 - August 2019: Total 281 – 2 licensees, 279 registrants
 - August 2018: Total 253 – 1 licensee, 252 registrants
 - Applications currently pending: 5
 - CFS Licensees
 - August 2019: 6
 - August 2018: 7
 - Applications currently pending: 0
 - New Applications Received
 - MLOs
 - 2019 year-to-date: 1,976
 - 2018 total: 4,014 (335 applications/monthly average)
 - Applications currently pending: 104
 - First Mortgage Licensees and Registrants
 - 2019 year-to-date: 126
 - 2018 total: 148
 - Applications currently pending: 24
 - Secondary Mortgage Licensees and Registrants
 - 2019 year-to-date: 37
 - 2018 total: 44
 - Applications currently pending: 5
 - CFS
 - 2019 year-to-date: 0
 - 2018 total: 1
 - Federally Registered MLOs for Michigan
 - 6/30/19: 13,261
 - 6/30/18: 13,554
- MLO application discussion: DIFS received nearly 1,000 less applications, to date, than last year. There is no obvious reason for the decline in MLO applications. The Average MLO age is 50, many may be retiring.

- Current individual and company MLO surety bonds must be converted to a perpetual surety bond by December 31, 2019, irrespective of the surety bond's current expiration date. Outstanding perpetual surety bond conversions to date:
 - Company MLO surety bonds: 148
 - MLO individual surety bonds: 2,008
- Renewal discussion held
 - DIFS sent renewal packets via the GovDelivery system. With this system, DIFS can track the number of successfully delivered emails and the number of emails opened by recipients. Due to the vast number of unopened emails, the MIAB will contact the MMLA to request they reach out to brokers and smaller lenders regarding important renewal season information.
 - Licensees are encouraged to renew by November 30th to avoid delays in having their renewal requests processed.
- NMLS Update
 - NMLS 2.0 timeframe has been pushed out; NMLS resources are being used on the State Examination System (SES) and MLO Temporary Authority to Operate (TAO).
 - NMLS formed a Licensing Wizard Working Group which consisted of a 50/50 mix of state regulators and Industry.
 - General discussion held regarding renewal season. MLOs must have continuing education complete and mail their original perpetual surety bond directly to DIFS. Companies and individuals must clear any deficiencies, or they will be unable to renew for licensing year 2020.
 - Companies are reminded to file the Mortgage Call Report (MCR) and the Annual Standard Financial Condition component of the MCR. Fee assessments are based on the MCR filing. Licensees who use third party MCR Services are still responsible to ensure the MCR and Annual Standard Financial Condition component are filed. Failure to file may result in fines and penalties.
 - TAO Update
 - DIFS is participating in NMLS' testing phase in preparation of the November 24th TAO roll-out.
 - DIFS submitted proposed MLOLA draft amendments to Tabitha Zimny for review and discussion with MMLA members and the MBA working group. DIFS and Industry will work together towards goal of acceptable language and determine whether other sections of the MBLSLA and SMLA will need to be amended. Tabitha is willing to help find a sponsor for the bill and will work with DIFS' Director of the Office of Policy, Research and Communication.
 - DIFS Update: Licensing staff has been participating in NMLS demos and will attend the upcoming training webinars scheduled for September – November; TAO license applicants must be W2 employees.

- State Examination System (SES) roll-out is expected during the first quarter licensing year of 2020.

Licensing/Compliance/Examination/Enforcement Discussion

- Mortgage Examination and Investigation Section (MEIS) Statistics
 - Examinations
 - 2019 year-to-date: 104
 - 2018 total: 129
 - Investigations
 - 2019 year-to-date: 35
 - Visitations for new licensees
 - 2019 year-to-date: 68
- Current Issues
 - Many new mortgage brokers and lenders are relying on third party vendors and are not keeping their own records which puts them at risk of regulatory and legal violations; the MMLA has begun to offer more educational support for the broker community.
 - Recent issues seen during examinations: LO compensation issues; brokers kicking back fees to consumers without disclosing to the lender; unclear and/or verbal compensation agreements; insufficient records by brokers who are relying on the lenders.
 - DIFS Pre-Examination Questionnaires are available on DIFS website, they are well received by Industry.

Industry Updates and Agenda Items

- General discussion regarding GSE Reform held.
- GNMA Actions/Activities
 - RFI issued on stress testing for all non-depository issuers. Industry concerns include how GNMA will apply the tests and how much cash they will require.
 - Smaller institutions suggest exams should be tiered based on size.
 - FHA cash-out refinance limit set at 80%, effective September 1, 2019.
- CFPB Spring Meeting Discussion
 - Qualified Mortgage (QM) Patch discussion.
 - Director Kraninger is concerned with the QM Patch, which is set to expire January 10, 2021. Allowing the QM Patch to expire could cause the market to seize up.
 - The CFPB is interested in feedback; the MBA created a committee to develop recommendations.
 - Industry's goal is to fix Amendment Q and eliminate the QM Patch.
 - Loan Officer compensation continues to be a major issue; CFPB is reviewing.
 - Small Lender Examination Discussion: Due to a lack of resources, the CFPB will consider conducting more joint state examinations as well as rely on state small lender examinations.

- SAFE Act Discussion: Concerns expressed regarding discretion available to depositories to hire individuals who fail a criminal background check.
- Discussion held regarding a possible CFPB lawsuit focusing on an alleged Equal Time Rule advertising violation of a small, three-person mortgage company. Industry is concerned this would be a “rules by enforcement” lawsuit.
- HMDA Rule 60-day comment period was extended to October 15, 2019.
- Discussion held regarding settlements of BSI Financial and Freedom Mortgage.
- CT Lender Update: Company closed its doors in all 50 states.
- Board will provide FHA default statistics.

Next Meetings

- November 13, 2019: 8:30 am in Lansing
- February 12, 2020: 8:30 am in Lansing
- May 13, 2020: 8:30 am in Lansing

Meeting adjourned at 11:44 am

Teri Heindricks, MIAB Secretary

Michelle Tullar, DIFS Recording Secretary

**DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
OFFICE OF CONSUMER FINANCE**

Mortgage Industry Advisory Board

BOARD MEETING MINUTES

November 13, 2019

Present: Donald Calcaterra Jr.
Daniel Grzywacz
Teri Heindrichs
Allison Johnston
Michelle Kirsten
Timothy Kleyla
Audrey Acquisti – via telephone

DIFS Staff: Alex Dornberg
Brenda Gardner
Marissa Hendee
Michelle Tullar
Mark Weigold
Anita Fox
Bob Burns
Chad Arnold

Call to order at 8:44 am

- Motion to approve 8/21/19 minutes; motion passed

Board Introduction

- Board extended a warm welcome to Director Anita Fox; Bob Burns, Chief Adviser to the Director and Legislative Director; and Chad Arnold, Director of Office of Policy, Research and Communication. General discussion was held regarding legislation and future non-depository CSBS working groups.
- Board member terms and expirations discussion was held. Don Calcaterra's final term expires May 19, 2020. Teri Heindrichs, Timothy Keyla, and Michelle Kirsten's first 4-year term expires May 19, 2020. Members interested in second 4-year term were asked to email Mark Weigold; members are reappointed by Director Fox.

DIFS

- Current licensee population/statistics/application turn times
 - MLO Licensees
 - November 2019: Total 13,144 – 11,403 approved, 1,741 approved-inactive
 - November 2018: Total 13,876 – 10,939 approved, 2,937 approved-inactive
 - Applications currently pending: 145
 - 2019 monthly average: 308

- First Mortgage Licensees and Registrants
 - November 2019: Total 845 – 616 licensees, 229 registrants
 - November 2018: Total 773 – 552 licensees, 221 registrants
 - Applications currently pending: 27 (19 licensees/8 registrants)
- Secondary Mortgage Licensees and Registrants
 - November 2019: Total 286 – 2 licensees, 284 registrants
 - November 2018: Total 253 – 1 licensee, 252 registrants
 - Applications currently pending: 5 (0 licensee/5 registrants)
- CFS Licensees
 - November 2019: 6
 - November 2018: 7
 - Applications currently pending: 0
- New Applications Volume
 - MLOs
 - 2019 year-to-date: 3,079
 - 2018 total: 4,014
 - Average application turnaround time: 5 days
 - First Mortgage Licensees and Registrants
 - 2019 year-to-date: 170
 - 2018 total: 148
 - Average application turnaround time: 25 days
 - Secondary Mortgage Licensees and Registrants
 - 2019 year-to-date: 47
 - 2018 total: 44
 - Average application turnaround time: 26 days
 - CFS
 - 2019 year-to-date: 0
 - 2018 total: 1
- Federally Registered MLOs for Michigan
 - 9/30/19: 13,381
 - 9/30/18: 13,485
- Renewals Issued/Received/Processed (to date)
 - MLOs
 - Issued: 13,163
 - Received and processed: 1,774
 - First Mortgage Licensees and Registrants
 - Issued to date: 851
 - Received and processed: 313
 - Secondary Mortgage Licensees and Registrants
 - Issued to date: 289
 - Received and processed: 150
 - CFS
 - Issued to date: 6
 - Received and processed: 2

- First Mortgage New Application Activity Breakdown
 - 2019
 - First Mortgage Licensees and Registrants: 170
 - Broker only: 82
 - Broker/Lender: 44
 - Broker/Lender/Servicer: 44
 - 2018
 - First Mortgage Licensees and Registrants: 148
 - Broker only: 57
 - Broker/Lender: 39
 - Broker/Lender/Servicer: 52
- NMLS/Renewal Update
 - Industry stated several MLO licensees were confused regarding the implementation date of the perpetual surety bond. MLO and MLO Company surety bonds must convert to a perpetual surety bond and be received by DIFS by December 31, 2019. Uncleared deficiencies can delay a renewal or cause non-renewal.
 - MLO non-renewal trend is possibly due to increased interest rates; larger companies are staying busy.
- MLO Temporary Authority to Operate (TAO) Update:
 - Effective November 24, 2019.
 - State regulators and NMLS are preparing for SAFE Act amendment to take place.
 - NMLS will notify states if individuals requesting TAO meet minimum qualifications.
 - TAO Intent to Deny Discussion
 - MLOs who fail to provide a bond but qualify for TAO could be issued an Intent to Deny.
 - An MLO who has been issued an Intent to Deny does not have the authority to originate loans.
 - DIFS will issue a Denial to an applicant for various reasons.
 - An applicant, if denied, has 60 days to request a hearing; if denied, the MLO is unable to conduct loan activities that would require licensure.
- Discussion with Director Fox, Bob Burns, and Chad Arnold
 - Chad Arnold provided legislative updates on MLOLA and TAO; HB 5084 passed Senate on 11/13/19 and was sent to Governor Whitmer for signature.
 - Director Fox stated she has been attending CSBS meetings. One of Director Fox's goals is to put more emphasis on non-depository institutions, ensuring they are represented at CSBS meetings.
 - Mark Weigold discussed the importance of combining the First and Secondary Mortgage statutes which would create one license rather than the 26 different license and registration combinations.

Licensing/Compliance/Examination/Enforcement Discussion

- Mortgage Examination and Investigation Section (MEIS) Statistics
 - Examinations
 - 10/31/19: 157
 - 12/30/18 total: 129
 - Investigations
 - 10/31/19: 41
 - 12/30/18: 67
 - Visitations for new licensees
 - 10/31/19: 116
 - 12/30/18: 104
- Current Issues
 - Discussion was held regarding a buyer's credit. MEIS examiners have seen several instances of a buyer's credit during examinations. Industry stated a buyer's credits is legal and can come from real estate referrals, a third-party contribution (gift), buyer's agent commission credits, realtor contribution given to buyer. The total credit will depend on the loan type and program. Typically, no more than 6% through all sources.
 - Record Keeping Discussion
 - MEIS examiners have noticed that brokers are not using origination software and are not keeping records, which makes examiners unable to determine compliance.
 - Licensees are responsible for their own records and cannot rely on third party vendors.
 - Many licensees are using third party vendors and investors sites. Examiners are advising brokers to download their records when using an outside system as soon as the loan is closed.
 - Violations for not maintaining records can result in citations, penalties and/or revocation of license.
 - DIFS is limited to one exam per year, examiners will recommend a visit in 12-18 months for brokers who are not complying.

Industry Updates and Agenda Items

- General discussion regarding GSE Reform held.
- GNMA Actions/Activities Discussion
 - RFI issued on stress testing for all non-depository issuers. Industry concerns include how GNMA will apply the tests and how much cash they will require.
 - Smaller institutions suggest exams should be tiered based on size.
- CFPB Discussion
 - Loan officer compensation & steering discussion held.
 - FHA cash-out refinance limit set at 80%, effective September 1, 2019.
 - 2020 VA Funding Fee increase discussion held.
 - Industry has seen an increase in borrower fraud in the form of pay stubs, employment, bank statements, occupancy and fake college transcripts. Third

party companies are providing fake documentation for borrowers. As a result, Industry is encouraging fraud guard checks.

- General discussion held regarding HMDA Rule Extension.

Next Meetings

- February 12, 2020: 8:30 am in Lansing
- May 13, 2020: 8:30 am in Lansing
- August _____, 2020: 8:30 am in Lansing

Meeting adjourned at 11:48 am

Teri Heindricks, MIAB Secretary

Michelle Tullar, DIFS Recording Secretary