

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

**Mortgage Industry Advisory Board**

**BOARD MEETING MINUTES**

**March 4, 2020**

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

DIFS Staff: Alex Dornberg  
Brenda Gardner  
Marissa Hendee  
Michelle Tullar  
Mark Weigold  
Jim Westrin

**Meeting rescheduled from February 12, 2020 due to Lansing office steam/heating issue**

**Call to order at 8:44 am**

- Motion to approve 11/13/19 minutes; motion passed

**Board Introduction**

- Board welcomed Jim Westrin, who joined DIFS as the new Director for the Office of Consumer Finance in December of 2019. Jim thanked the board and provided a brief overview of his past regulatory experience. The Board congratulated Mark Weigold on his promotion as the Assistant Director and thanked him for his continued dedication to the Board.
- Board member terms and expirations discussion
  - Two vacant seats on the Board will need to be filled due to Don Calcaterra Jr terming out in May and the resignation of Michelle Kirsten.
  - Teri Heindrichs and Tim Kleyla terms are due to expire in May, both have asked for reappointment.

**DIFS**

- Current licensee population/statistics/application turn-around times
  - MLO Licensees
    - February 2020: Total 11,953 – 11,619 approved, 334 approved-inactive

- February 2019: Total 10,924 – 10,372 approved, 551 approved-inactive, 1 approved-surrendered
- Applications currently pending: 284 (176 TAO)
- Approvals to date 2020: 611 (258 TAO)
- MLO Temporary Authority to Operate (TAO) population of 258 for Michigan was more than anticipated; the application turn-around time was quicker than expected. DIFS has not issued a TAO denial to date.
- First Mortgage Licensees and Registrants
  - February 2020: Total 844 – 616 licensees, 228 registrants
  - February 2019: Total 755 – 534 licensees, 221 registrants
  - Applications currently pending: 24 (21 licensees/3 registrants)
- Secondary Mortgage Licensees and Registrants
  - February 2020: Total 283 – 2 licensees, 281 registrants
  - February 2019: Total 257 – 1 licensee, 256 registrants
  - Applications currently pending: 9 (0 licensee/9 registrants)
- CFS Licensees
  - February 2020: 5
  - February 2019: 6
  - Applications currently pending: 0
- New Applications Volume
  - MLOs
    - 2020 year-to-date: 895
    - 2019 total: 3,856
  - First Mortgage Licensees and Registrants
    - 2020 year-to-date: 20
    - 2019 total: 205
  - Secondary Mortgage Licensees and Registrants
    - 2020 year-to-date: 9
    - 2019 total: 53
  - CFS
    - 2020 year-to-date: 0
    - 2019 total: 0
- Federally Registered MLOs for Michigan
  - 12/31/20: 13,481
  - 12/31/19: 13,400
- Renewals Issued/Received/Processed as of 2/10/20
  - MLOs
    - Issued: 13,288
    - Received and processed: 11,092
    - Percentage renewed: 83%
    - Number on hold: 206
  - First Mortgage Licensees and Registrants
    - Issued to date: 859

- Received and processed: 808
- Percentage renewed: 94%
- Number on hold: 2
- Secondary Mortgage Licensees and Registrants
  - Issued to date: 290
  - Received and processed: 278
  - Percentage renewed: 96%
  - Number on hold: 0
- CFS (Class 1 and II)
  - Issued to date: 6
  - Received and processed: 5
  - Percentage renewed: 83%
  - Number on hold: 0

### **Licensing/Compliance/Examination/Enforcement Discussion**

- Mortgage Examination and Investigation Section (MEIS) Statistics
  - Examinations
    - As of February 2020: 35
    - As of February 2019: 15
    - 2019 year-end: 188
    - 2018 year-end: 129
  - Investigations
    - As of February 2020: 34
    - As of February 2019: 15
    - 2019 year-end: 43
    - 2018 year-end: 67
  - Visitations for new licensees
    - As of February 2020: 25
    - As of February 2019: 24
    - 2019 year-end: 136
    - 2018 year-end: 104
- New Company Visitations
  - The purpose of the visitation is for the learning and education of newly formed companies. Examiners share information regarding the exam process, discuss record keeping of both hard and electronic files, and stress the importance of downloading loan records from third party vendor and investor sites as soon as a loan is closed. Third party vendors and investor sites will not send loan documents automatically. DIFS goal is to teach companies what their responsibilities are to help them avoid expensive mistakes.
- Current Issues
  - Mortgage Broker Application Increase
    - Industry is experiencing an explosion of refinance applications due to low interest rates; the trend is expected to continue until the refinancing market stabilizes.

- Companies are hiring loan officers to help with the increased workload, most are requiring licensure to cover regulation requirements.
- DIFS is seeing a high volume of MLOs requesting Michigan based mortgage broker licensure – likely due to many loan officers wanting to open their own shop.
- New MLO Licensee Questions
  - DIFS requests that all new MLO licensee inquires and phone calls be submitted in writing. The questions are used to develop FAQs.
  - New licensees receive an informational letter that includes links to DIFS and NMLS' websites.
- Examination/Audit Discussion
  - Industry suggested DIFS develop a step by step flow chart to help companies gather the required examination documents in a timely, efficient, and less stressful manner.
  - DIFS will explore putting together a user specific information packet for licensee examinations.
  - Egress is used to upload and share required examination documents. DIFS requests feedback from licensees regarding difficulties experienced using the Egress platform as it is new for both examiners and licensees.
  - DIFS began sending post-examination surveys in December of 2019. The survey is confidential. Responses to the ten questions will help to develop examination processes and improvements.
- Examination Findings/Discussion
  - Staff has seen an uptick of Team Names being used on documents which fail to reference the licensee.
  - Third party processing companies which have not obtained an exempt company registration in NMLS are utilizing licensed mortgage loan originators to process loans.
  - Third party processing companies which have an exempt registration are failing to hire licensed mortgage loan originators to process loans.
  - MLOs are refunding money to clients after the loan is closed.
  - Unlicensed Junior loan originators working for licensed MLOs, processing entire loans.
  - Fraud
    - DIFS – first registrants reporting uptick of income fraud
    - Industry – bank statements, occupancy, and purchasing of online college degrees to obtain a loan
  - IT security to be incorporated in DIFS examination process to measure safety and soundness.

### **Industry Updates and Agenda Items**

- TAO/NMLS Annual Conference and Training, February 18-21, San Francisco, CA

- TAO enhancement allows companies to choose if they want to use TAO or not resulting in an MLO application to be submitted as a regular application
- Investors are pushing back by not purchasing loans completed by TAOs and question whether to pay them
- NMLS will red flag applicants that repeatedly applies for and is denied TAO
- NMLS is working on TAO glitches as needed
- TAO's must meet all of DIFS licensing qualifications
- General discussion held regarding VA Jumbo Loans
- General discussion held regarding FNMA Tax Calculation's restrictiveness
- QM Patch Discussion
  - Set to expire January 2021
  - Director Kraninger's testimony regarding CFPB's intentions to use APOR rather than DTI
  - Possible elimination of 43% DTI requirement
  - Non-traditional employment documentation challenges
  - Possible amendment of Appendix Q
- FHFA Discussion
  - Proposal to increase new worth standards
  - Hiring of a financial advisor to raise capital and develop a Conservator exit plan
  - GSE LIBOR Transition
- MBA Advocacy Update
  - Submitted proposed uniform language for consumer protection laws regarding the federal Gramm-Leach-Bliley Act.
  - Requested for Declaratory Ruling from FCC that would clarify the definition of automatic telephone dialing system (ATDS) under the Telephone Consumer Protection Act (TCPA).

### **Next Meetings**

- May 13, 2020: 8:30 am in Lansing
- August 19, 2020: 8:30 am in Lansing
- November \_\_\_\_\_, 2020: 8:30 am in Lansing

**Meeting adjourned at 10:30 am**

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Teri Heindrichs, MIAB Secretary

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Michelle Tullar, DIFS Recording Secretary