

MORTGAGE LENDING WORK GROUP

October 31, 2007

12:00 p.m. to 3:00 p.m.

Meeting Summary

Lou Savage started the meeting with brief introductions. (Amy Cleary was not in attendance.) The meeting agenda was reviewed, and the October 23 meeting minute summary was approved.

Data Subcommittee

Berri Leslie started the Data Subcommittee PowerPoint presentation by acknowledging the hard work of the subcommittee members, giving an overview of what was to be expected from the presentation, and pointing out the concepts the Data Subcommittee wanted the group members to learn from the presentation:

- Oregon's place in reference to the rest of the country;
- The projected foreclosure rates;
- The general definition of "foreclosures" and what they entail;
- Oregon's overall state of affairs in re foreclosures and sub prime lending.

As the presentation proceeded, Ms. Leslie gave a brief explanation of conventional vs non-traditional loans; explained that for the purpose of certain statistics, Washington, D.C. and Puerto Rico were left out; promised to investigate the reason for the discrepancy in scales in one of the graphs; and answered general questions in relation to the data and the way in which it was presented.

Foreclosure Law

After the Data Subcommittee, Chris Ambrose presented in behalf of the Foreclosure Law subcommittee.

Going through the document tentatively called Mortgage Rescue Fraud Protection Act, Mr. Ambrose and members of the group reviewed and suggested changes to the different sections.

Some of the changes suggested:

- The borrower's right of rescission can be kept at three days, which is the standard in most states.
- In keeping with the plain language initiative, "Foreclosure Reconveyance" should be changed to Equity Purchase."
- How the right of rescission is defined should be clarified to avoid problems with the legislature.
- The language must be clear since there are instances when the borrower thinks he/she is obtaining a deed when in fact he/she is obtaining a mortgage.
- The borrower should have a right to a portion of the equity when the property sells.

The bill draft for the protection act may be introduced soon (November 14?).

As far as the Foreclosure Notice, some of the discussions revolved around:

- Whether the notice itself or just the language contained in it would be statutorily mandated;
- Whether the act would protect residential borrowers only or commercial borrowers as well;
- If commercial borrowers would be included in the act, then the language in the notice would have to be changed to include them;
- Whether an affidavit of service should be required to prove the notice was delivered to borrower;
- Whether the notice of sale/foreclosure would also have to be delivered to tenants if the home being foreclosed is not owner-occupied.

Enforcement Subcommittee

David Tatman led the discussion about the enforcement. He cited the issues surrounding enforcement as follow:

1. Whether the prohibited conduct DCBS wants to regulate should be addressed through a current statute or whether a new statute should be created;
2. Whether DCBS can ban loan originators that break the law, and if so, how;
3. Whether DCBS, in addition to its current bonding requirement for mortgage brokers/bankers, will impose bonding requirements for individual loan originators;
4. Whether the bonding requirement mentioned above will be a contingent for registration of loan originators with the state.

Some concerns were raised that the actions DCBS takes against Loan Originators would automatically impact brokers who hire the LO's.

Mr. Tatman explained that per current statutes, DCBS takes joint action against both LO and broker. The broker can then appeal the decision and an administrative law judge (ALJ) will determine at hearing whether they are both liable, or just the LO.

About bonding and loan originators' requirements for registration, other issues raised were:

- Whether it would really be a barrier to entry
- Whether the requirements can be made for the LO's to be bonded
- Whether a LO may be qualified as an independent contractor
- Whether the loan originator application fee should be raised
- Whether bonding would change the employee/employer relationship
- And whether individual bonding may allow the loan originator to practice without registering with the broker.

In lieu of a full meeting on November 8, 2007, the subcommittees will meet to discuss issues further.

The next full group meeting will take place on November 14, 2007 at 9:00 a.m.