

# MULTISTATE MORTGAGE COMMITTEE

Looking Back . . .

Looking Forward.

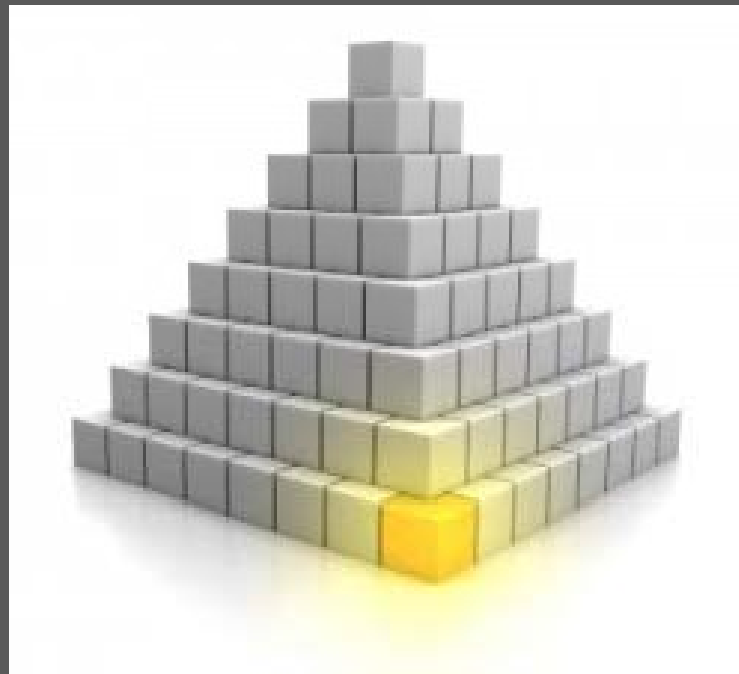
# MULTISTATE MORTGAGE COMMITTEE (MMC)

<b>Pennsylvania</b>	—	<b>Donald Debastiani - Chair</b>
<b>Illinois</b>	—	<b>Mike Garvin</b>
<b>Iowa</b>	—	<b>Rod Reed</b>
<b>Louisiana</b>	—	<b>Darin Domingue</b>
<b>Maryland</b>	—	<b>Anne Norton</b>
<b>Massachusetts</b>	—	<b>Greg Short</b>
<b>Mississippi</b>	—	<b>Traci McCain</b>
<b>New York</b>	—	<b>Helen Hodge</b>
<b>North Carolina</b>	—	<b>Charlie Fields</b>
<b>Washington</b>	—	<b>Rick St. Onge</b>
<b>CSBS Staff</b>	—	<b>John Prendergast</b>
	—	<b>Chuck Cross</b>
	—	<b>Matt Lambert</b>

# The State System of Supervision



# CORNERSTONE

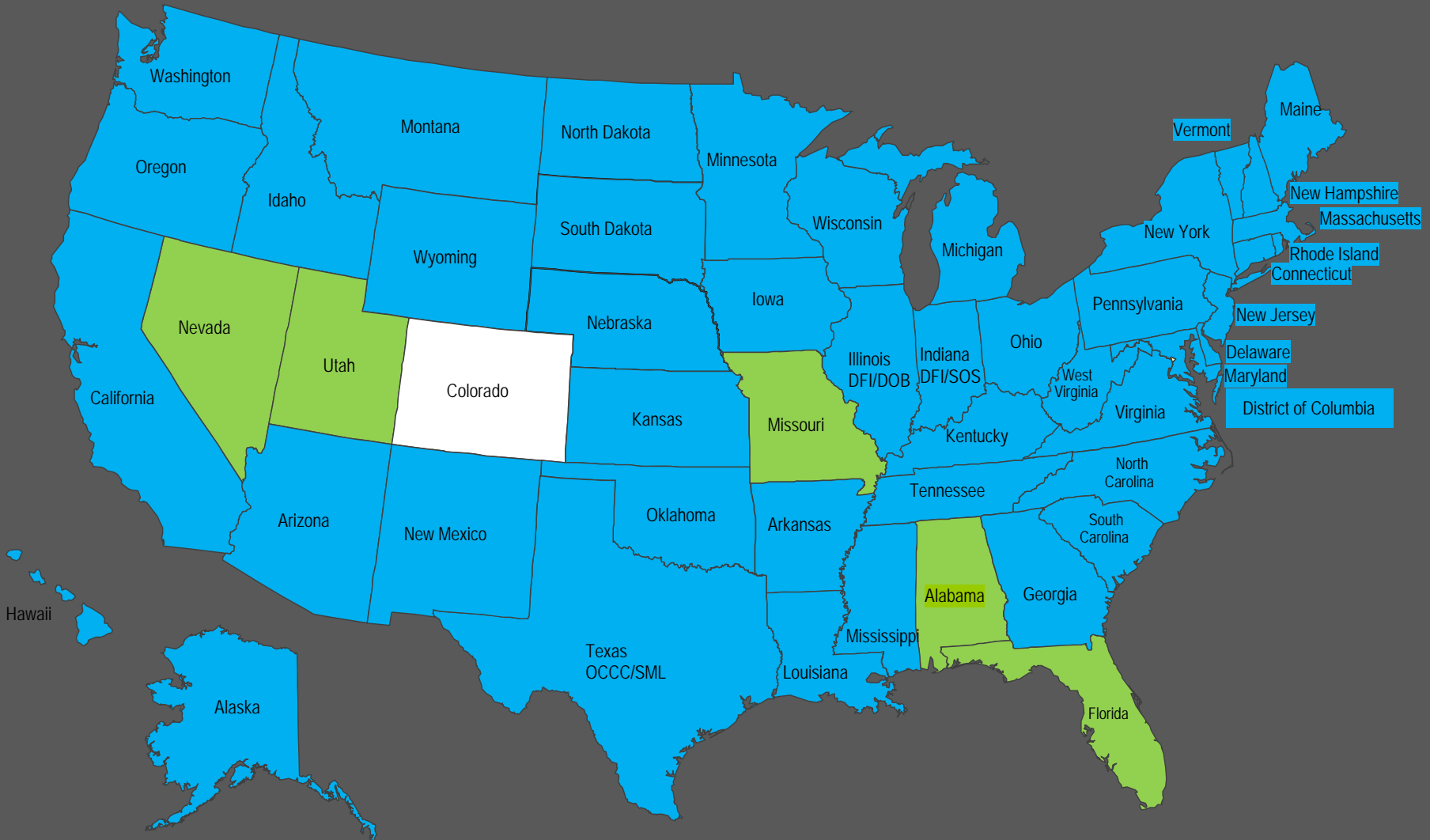


Protocol & Agreement

# GOALS

- **Protect consumers**
- **Ensure safety and soundness**
- **Identify and prevent mortgage fraud**
- **Seamless, flexible and risk-focused**
- **Minimize regulatory burden**
- **Consistency, coordination and communication**

# CSBS/AARMR NATIONWIDE COOPERATIVE PROTOCOL AND AGREEMENT FOR MORTGAGE SUPERVISION As of August 2011



 Signed Concurrent       Signed Joint       Puerto Rico       U.S.V.I.

The MMC is the State representative body charged with oversight of uniform and standardized mortgage examination processes and for overseeing multistate exams.

# THE MMC PROCESS





# WORKING GROUPS

- **Processes and Staffing Group**
- **Risk Profiling Group**

## TASK SPECIFIC WORKING GROUPS

- **Loan Originator Compensation Rule Examination Guidelines**
- **SAFE Examination Procedures**

# Information Sharing

- **Memorandum of Understanding with Consumer Financial Protection Bureau**
- **Attorneys General Confidential Information Sharing Agreement**

# MMC PHILOSOPHY

## 1. Uniformity

- Philosophy of supervision (act as one agency)
- Approach and methods
- Results and presentation

## 2. Modernization

- Thinking and Technology

## 3. Effectiveness

# MULTISTATE EXAMS

- **Multiple states conduct joint exams**
- **Single Examiner in Charge (EIC)**
- **Single Report of Examination (ROE)**
- **Multistate Mortgage Committee (MMC)**
  - Schedules
  - Directs
  - Approves

# MMC Scheduled Examinations

- **2009 Examinations**
  - 1 examination
  - 10 states participating
  - PA as EIC state
  
- **2010 Examinations**
  - 4 examinations
  - Up to 30 states participating
  - EIC states: MI, KS, WA, OH

# MMC Scheduled Examinations

- **2010 Servicer Examinations**
  - Robo-signer exams
  - 8 companies
  - 16 participating states
  - Ongoing into 2011
  
- **2011 Examinations**
  - 2 examinations underway
  - 30+ states participating
  - EIC states: PA and MA

# 2011 Examination Plans

- **25 Limited Scope Electronic Exams**
- **Data uploads through RegulatorConnect© or RegulatorDirect©**
- **Examination Dashboards and Executive Reports identify:**
  - **The need for full scope examinations**
  - **Expanded limited scope examinations**
  - **Examination complete**

# How the LSE Exam Works

- **Loan data files uploaded thru RegulatorConnect.org**
- **Data files run through ComplianceAnalyzer©**
- **Each state analyzes the results of “apparent” issues**
- **EIC drafts an Executive Summary report for MMC**
- **MMC determines next steps**





welcome to the **e-Exam** portal

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**Important Message For Lenders Licensed in North Carolina**



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Web  Site

Connecting  
 the parties for a  
**more efficient**  
 e-Exam process

[Get Started](#)

**Get Started**

Are you prepared for your next regulatory exam?

**Resources**

- >> [MMC Limited Scope Electronic Examination Pr](#)
- >> [RegulatorConnect vs. RegulatorDirect](#)
- >> [e-Exam Implementation Timetable](#)
- >> [e-Exam Procedures](#)
- >> [Document Library](#)
- >> [FAQs](#)

**News and Articles**

- The Multistate Mortgage Committee has published the MMC Exam Manual | Jul 1, 2011
- State Regulators Announce 10-State Settlement with Mortgage Access Corporation | Jun 1, 2011
- WA DFI Newsletter Electronic Exams - What You Need to Know | Spring 2011
- CFPB Implementation Team and CSBS Sign Information Sharing MOU | Jan 4, 2011

http://www.regulatorconnect.org/Home.aspx

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# 2011 Examination Plans

- **15 LSE Exams simultaneously launched this week**
- **Examiners in Charge from:**
  - North Carolina
  - Maryland
  - New York
  - Iowa
  - Louisiana
  - Mississippi
  - Illinois
  - Pennsylvania
  - Massachusetts
  - Washington
- **10 more LSE Exams to follow**

# MODERNIZATION THROUGH ENHANCED PROCESSES

1. Risk rather than Routine
2. Assign more resources to institutions posing greater risk and fewer resources to the others
3. Correct the imbalance between compliance and safety and soundness reviews
  - Three legs of the stool
4. Get more and better information and use it effectively

# Using Technology



# For

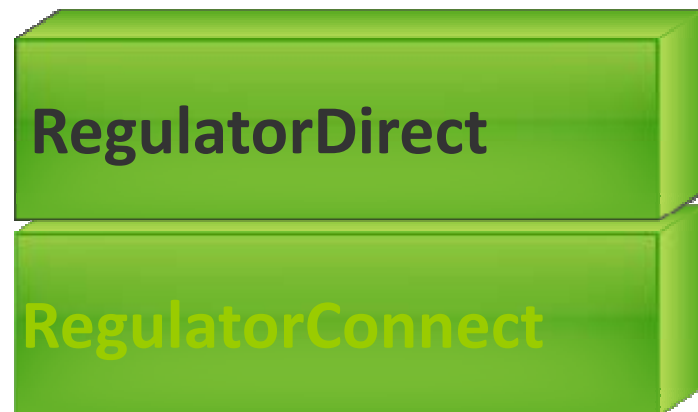
- **Offsite Monitoring**
- **Risk Scoping Exams**
- **Limited Scope Electronic Exams**

# e-Exam Tool – RegulatorConnect



Web portal for non-ComplianceAnalyzer users to prepare and deliver loan-level data to regulators

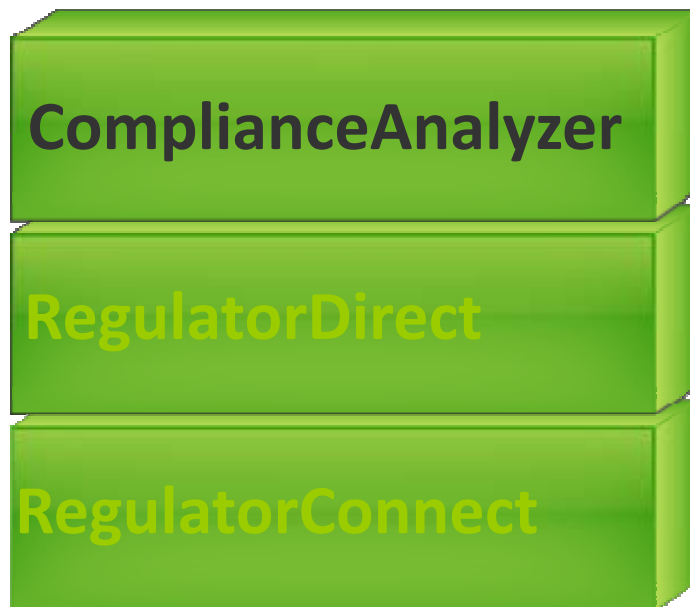
# e-Exam Tool – RegulatorDirect



Function inside ComplianceAnalyzer to deliver loan-level data to regulators  
(ComplianceAnalyzer users only)



# e-Exam Tool – ComplianceAnalyzer



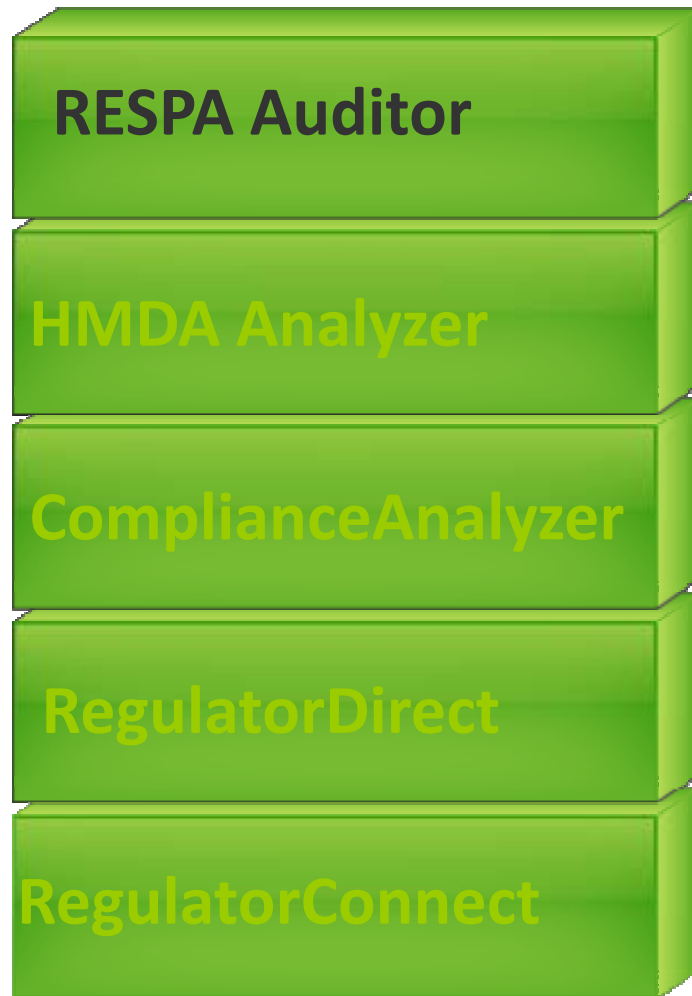
Federal, State, and Local Regulatory Compliance  
Auditing and Analysis

# e-Exam Tool – HMDA Analyzer



HMDA Compliance Auditing and Analysis

## e-Exam Tool – RESPA Auditor



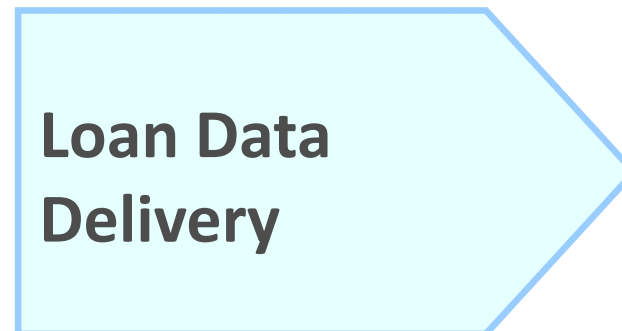
RESPA 2010 Compliance Auditing and Analysis

# e-Exam Tool – Exam Dashboard



Comprehensive Portfolio-level Risk Reporting  
and Analysis

## e-Exam Tools



# **Multistate Examination Fees (Average, not all states reported)**

- **Examination A = \$4,433.39 per state**
- **Examination B = \$3,717.24 per state**
- **Examination C = \$3,268.76 per state**
- **Examination D = \$13,110.11 per state**

# Multistate Efficiency Scenario

- **30 States examine Company in a year**
- **Each sends 5 examiners**
- **Average travel costs at \$1,500 per examiner**
  - **Estimated travel cost for 1 week exam = \$225,000**
- **Multistate exam brings 5 examiners and leaves the rest working from home**
  - **Estimated travel cost for 2 week exam = \$15,000**
  - **Estimated savings from travel alone = \$210,000**

# RISK ASSESSMENT

- **Risk Profiling of Multistate Mortgage Entities**
  - To set MMC exam schedule
  - Pre-assess examination scope
  - Pre-determine examination resources needed
- **Risk Metrics and Analytics**
  - Derived from quarterly Call Reports
  - Portfolio risk
  - Company Characteristics risk
  - Financial Condition risk
  - Wild Card risk
- **Assessment Rating**
  - Relative comparison between institutions
  - Not an assessment of the institution's actual risk
  - Not a public number



# PORTFOLIO RISK METRICS

- **Loan volume**
- **Types of loans**
  - **Purchase, Refi, Subordinate, Reverse**
  - **Fixed, ARM, Subprime or nontraditional**
- **Loan Characteristics**
  - **Loan to Value**
  - **Alternative Documentation**
  - **Prepayment Penalty**
  - **Piggy Back seconds**
  - **Risk layering**

# COMPANY CHARACTERISTICS

- **Number of licenses**
- **Number of branches**
- **Number of loan originators**
- **Years in business**
- **Defaults and Buy Backs**

# FINANCIAL CONDITION METRICS

- **Earnings**
  - Return on Assets, Return on Equity, Debt to Equity, etc.
- **Capital**
  - Dividends to Net Income, etc.
- **Asset Quality**
- **Liquidity**
  - Current Ratio, Quick Ratio, etc.

# WILD CARD MEASURES

- **Time since last examination**
- **Enforcement history**
- **Complaint history**
- **Examination responsiveness**
- **Internal controls**
- **“Emphasis Patrol” (e.g. reverse mortgage lending)**

# MMC EXAMINATION MANUAL

- **Published July 2011**
- **For use by state examiners, but usable by industry**
- **263 pages of procedures with embedded worksheets and templates**
- **Living document – ongoing updates**

# TABLE OF CONTENTS

- **General**
- **Planning and Administration**
- **MMC Rating System**
- **Financial Condition**
- **Management**
- **Regulatory Compliance**
- **Consumer Protection**
- **Report of Examination**
- **Other Examination Tools**

# TABLE OF CONTENTS

- **Conducting the Multistate Exam**
- **Technology for Portfolio Review**
- **Fraud**
- **Reverse Mortgage Lending**
- **Investigation, Enforcement and Criminal Referral**
- **Servicing**
- **Fair Lending**
- **Glossary**

# WHEN ENFORCEMENT IS NECESSARY

- **Determined by the combined MMC**
- **Single state lead, but not necessarily the EIC state**
- **Meetings and negotiations**
  - **Supported by CSBS**
- **Joint enforcement orders and settlements**
- **Partners**
  - **Attorneys General**
  - **Consumer Financial Protection Bureau**



# ENFORCEMENT ACTIVITY

- **2009 – Taylor Bean and Whitaker**
  - \$9 million penalties
  
- **2010 – CitiFinancial**
  - \$1.25 million penalties
  
- **2011 – MAC/Weichert**
  - \$3 million penalties