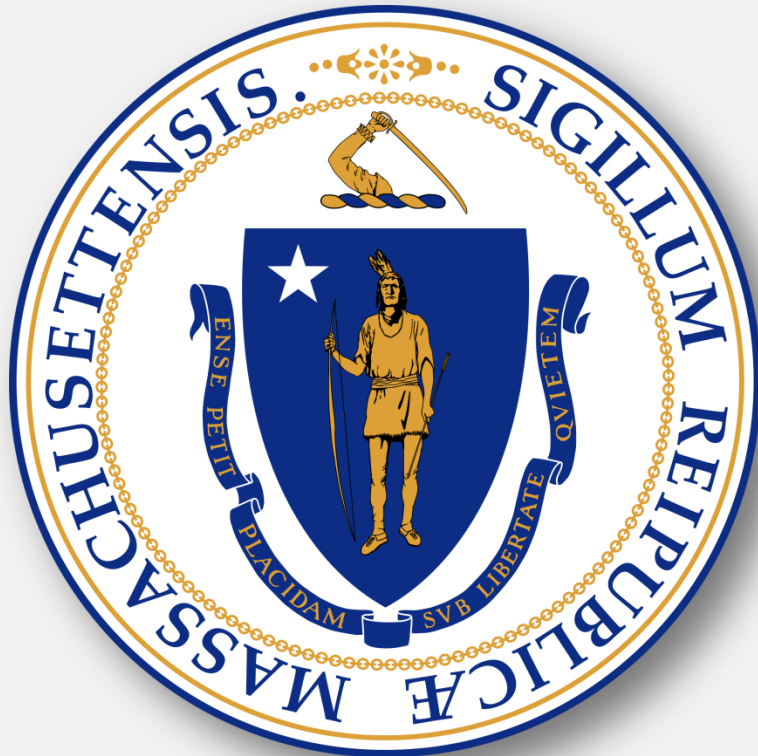


The Commonwealth of Massachusetts

DIVISION OF BANKS



MMBA UPDATE

Chief Director Amy Hassey
Associate Counsel Valerie Carbone



VIOLATIONS



Anti-Money Laundering Program

- Became effective for mortgage brokers and lenders on August 13, 2012
- 4 Pillars
 - Policies and Procedures
 - BSA Officer
 - Training
 - Independent Testing
- Customer Identification Program
- Suspicious Activity Reports

HMDA- LAR

- Data Integrity reviewed as part of compliance examinations for all national HMDA reporters
 - Application date received
 - × Retail
 - × Wholesale
 - Purchaser code
 - Action date
 - Income
 - Loan amount
- Certain Mortgage Lenders
 - CRA for Mortgage Lenders
 - Fair Lending review



VIOLATIONS



Duplicate Recording Fees

- Discharge fee being collected by the previous lien holder AND closing attorney
- Closing attorney cannot re-label fee as “tracking”
- NEW RESPA Rule FAQs- issued April 2, 2010.

Loan Servicing

- No additional license needed for loans retained in company’s portfolio
- LS registration or DC license required when:
 - Loan sold with servicing rights retained, including those sold to a GSE
 - Servicing loans owned by another
- Master servicer/sub-servicer relationship

Vendor Management

- Lender/Broker networks
- Settlement Agents
- Consultants/Auditors
- Software Providers
 - Loan Origination Software
 - IT



VIOLATIONS



Reports to the Commissioner

- **Ensure accurate and timely reporting to the Commissioner**
 - **MCRs**
 - **Annual Reports**
 - **Significant events**

Risk Management Program

- **Identify**
- **Measure**
- **Monitor**
- **Control**

Compliance Management Systems

- **Proper Management Oversight**
- **Policies and Procedures appropriate for the size and complexity of the institution**
- **Regular training of staff on state and federal statutes and regulations**
- **Internal monitoring of staff and loan files**
- **Tracking of all consumer complaints received, regardless of the source**
- **Audits**



VIOLATIONS



Escrow Account

- **Division's regulation 209 CMR 42.11 et al.**
 - **Prepaid fees related to a mortgage transaction must be kept in separate account**
 - **Account must be maintained at a federally insured depository institution**
 - **Must be swept regularly**
- **Common violations:**
 - **Commingling**
 - ✦ **Consumer funds are deposited into the licensee's operating account**
 - ✦ **Account is not regularly swept . As a result, the Licensee has comingled its funds with consumer funds**
 - ✦ **Payment of operating costs from escrow account including payment processing company**
 - **Account is not an escrow/trust account**
 - ✦ **Type vs. Title of Account**
 - **Business account titled "ABC Mortgage Escrow Account"**
 - **MUST be labeled escrow/trust account at institution and have custodial protections.**



INDUSTRY LETTERS



Funding of Mortgage Loans

- **Licensees must disburse funds to its settlement agents:**
 - On or before the day of settlement for purchase transactions
 - On or before the day rescission ends for refinance transactions
- **Settlement agents must disburse funds:**
 - On the day of settlement for purchase transactions
 - On the day rescission ends for refinance transactions
- **Settlement Agents may not record security instruments unless they have received “good funds”**
- **Issued Industry Letter on July 2, 2014**

Reverse Mortgages

- **HUD Changes to HECM program- Mortgage Letters 2013-27 and 2013-28**
 - HUD issued MLs 2013-27 & 2013-28 on September 3, 2013
 - Division issued Industry Letter issued on September 11, 2013
 - HUD issued solicitation for comment on Financial Assessment requirements on September 12, 2013
 - HUD issued ML 2013-33 to clarify issues in ML 2013-27 on September 25, 2013
- **Face-to-Face Reverse Mortgage Counseling**
 - Became effective on August 1, 2014 for all RM applicants meeting the designation of a “mortgagor” as defined in M.G.L. c. 167E s. 7A and the Division’s regulation 209 CMR 55.00(1)
 - Industry Letter issued on August 22, 2014



INDUSTRY LETTERS



New England Regional Mortgage Committee

NERMC is made up of the 6 New England States

•Goals:

- **Coordinate joint examinations of licensed mortgage entities which are headquartered in one of the New England States**
- **Reduce regulatory burden on licensees**
 - ✦ **One efficient examination instead of up to 6**
 - ✦ **Completion of one Officer's Questionnaire and Document Request List**
- **Examinations will begin in 2015**
- **Identified licensees will be contacted 45-60 days prior to onsite visit**



EMERGING ISSUES

Flood Insurance Regulations

- **Chapter 177 of the Acts of 2014, An Act Further Regulating Flood Insurance was signed by Governor Patrick on July 23, 2014**
- **Law Goes into effect on November 20, 2014**
 - **Prohibits creditors from requiring flood insurance that is greater than the outstanding principal balance of the mortgage OR has less than a \$5,000 deductible. In addition the creditor cannot require that the policy cover contents**
 - **Requires creditors to provide borrowers with a notice about flood insurance coverage before it is purchased**
- **Public Informational Hearing held on September 11, 2014**
- **Division currently drafting regulations which are expected to be released for comment shortly**

Regulations

- **CFPB - Integrated Disclosures must be provided by a creditor or mortgage broker that receives an application from a consumer for a mortgage secured by real property on or after August 1, 2015**
 - **Division aware of effect on MBs - currently not permitted to provide TIL Disclosure**
 - **Currently conducting regulation reviews**
- **Recent Amendments:**
 - **209 CMR 53.00- effective 7/18/14**
 - **209 CMR 48.00 effective 6/6/14**
- **Proposed Amendments:**
 - **209 CMR 40.00**
 - **209 CMR 32.00**



EMERGING ISSUES



Confidentiality of Examination Reports and Materials

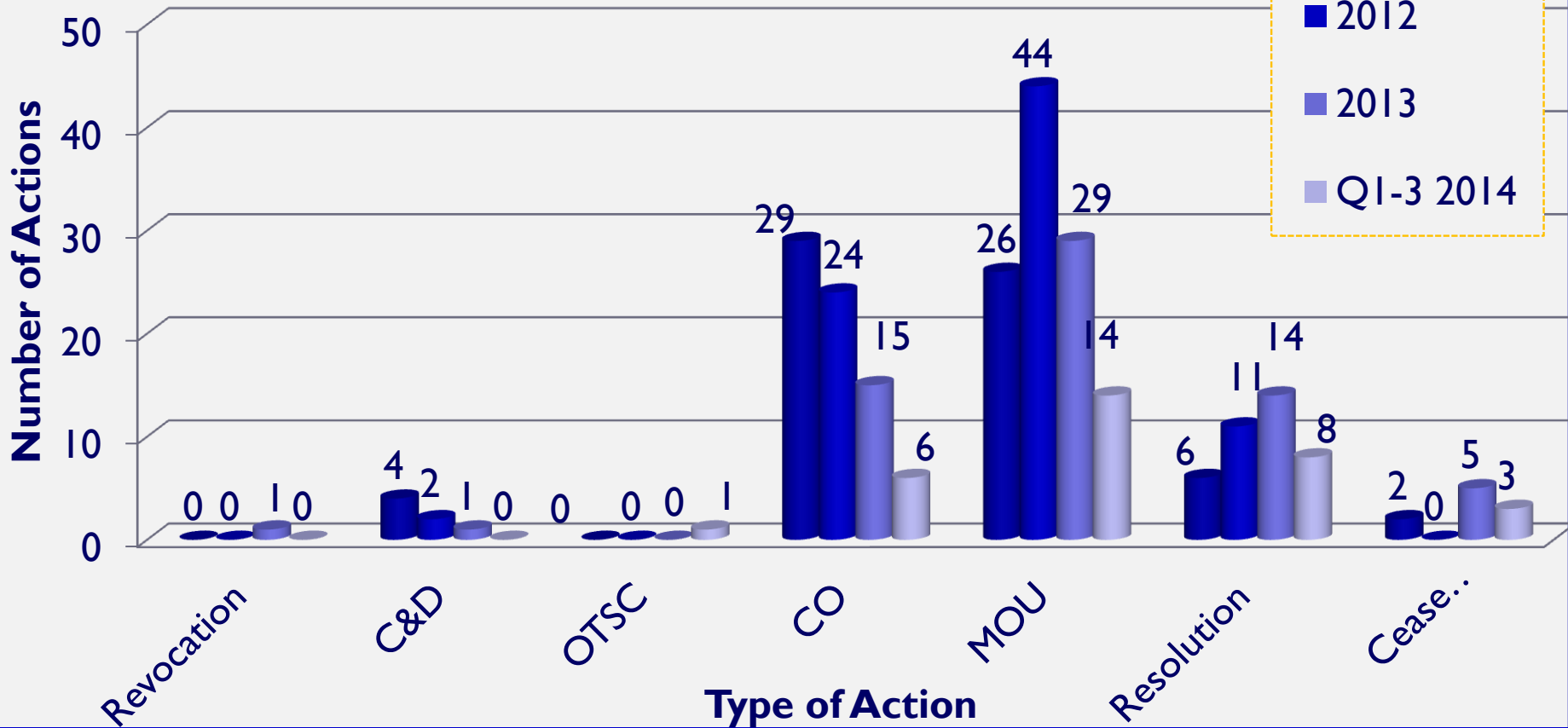
- **M.G.L. c. 255E s. 8 - confidentiality of Examination Reports and material**
- **Examination Reports and related materials are the property of the Division and are furnished to regulated entities for their internal use only**
- **Regulated Entities may not disclose:**
 - ✦ **The examination rating(s)**
 - ✦ **The Report, or any portion of it**
 - ✦ **Publish the Report**
- **The prohibition against sharing Reports and related information applies to third parties including: financial institutions, federal or state regulatory agencies, quasi-public agencies or law enforcement**
- **If you receive a subpoena or other legal process calling for the production of a Report you should notify the Division immediately.**



REGULATORY ACTIONS



Actions Against Brokers and Lenders

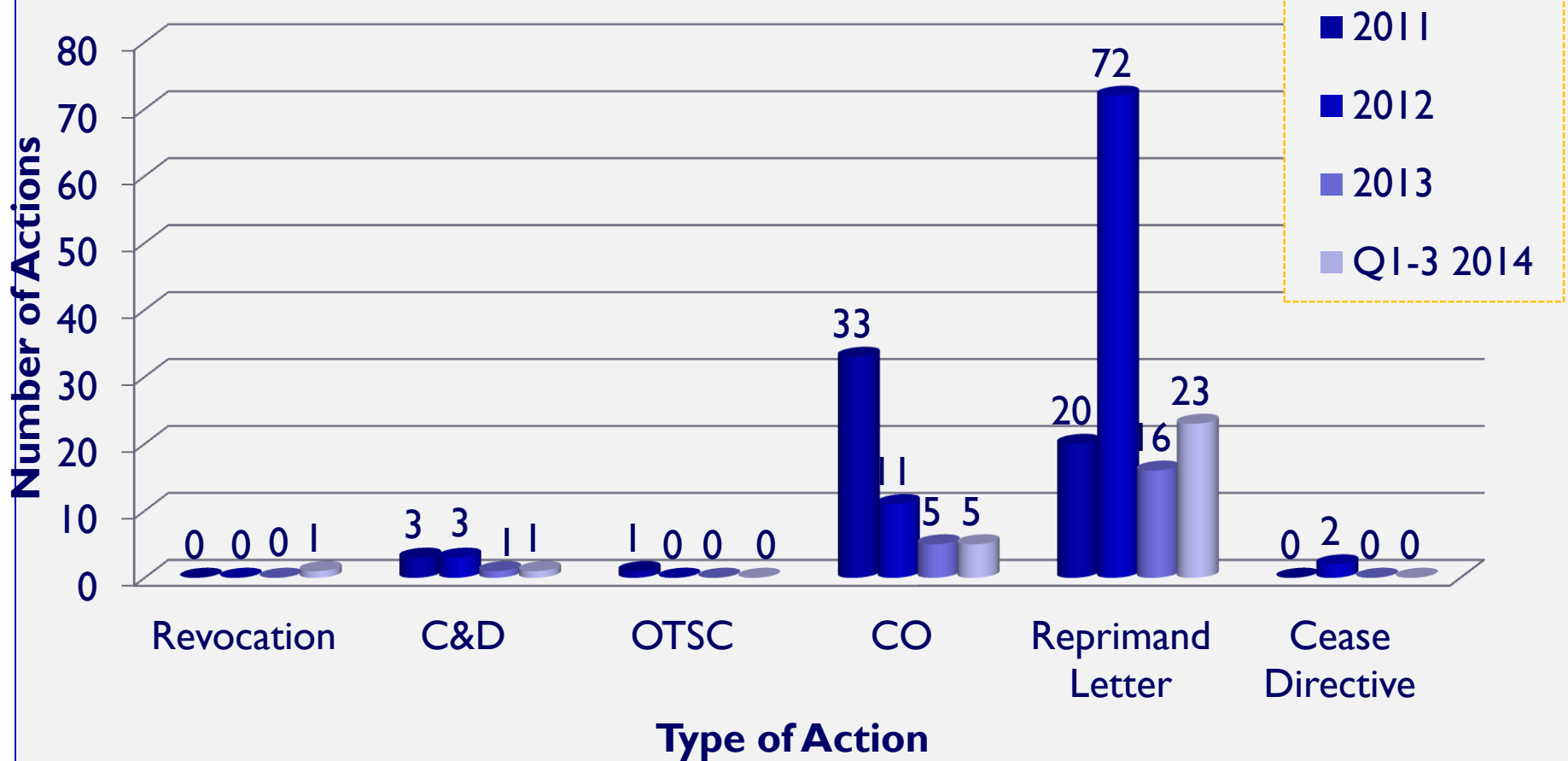




REGULATORY ACTIONS



Actions Against MLOs





INFORMATION SECURITY



- The financial services industry continues to rely on information technology services to interact with consumers through websites, mobile applications and other means.
- With this has come an increase in volume and sophistication of internal and external cyber threats including:
 - Distributed denial of service (DDoS)
 - Corporate account takeover (CATO)
 - Ransomware
- To combat cyber threats companies must have strong cybersecurity to:
 - Prevent
 - Detect
 - Respond



CYBER THREATS



SWANSEA MASSACHUSETTS
November 2013

Swansea Police Department hit by Cryptolocker ransomware virus.

The virus was sent to a computer via email and was spread when the recipient opened up the email attachment.

The virus encrypted files on the computer system which could have been lost forever because the Police Department did not have the decryption key.

Police Department chose to pay \$750.00 for the decryption key to hackers through an untraceable online currency in order to get their files back.



CYBER THREATS



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT (OPM)
March 2014

Hackers broke into the OPM computer systems and appeared to target employee files seeking top-secret security clearance.

Officials at OPM and Department of Homeland Security (DHS) said in July statement that there was a potential intrusion but had no reason to believe information was compromised.

OPM credited constant MONITORING of systems at OPM and DHS with identifying and mitigating the risk.



EXAMINATIONS



- **The Division is augmenting its IT reviews as part of its examinations on Non-Depository licensees.**
 - **Will be scaled to size and complexity of the licensee**
 - **Examination Procedures will follow:**
 - **201 CMR 17.00: Standards for the Protection of Personal Information of Residents of the Commonwealth**
 - **FFIEC Guidelines**
- **The IT examination component will consist of a review of a licensee's:**
 - **Written Information Security Program**
 - **Risk Assessment**
 - **Policies and Procedures**
 - **Internal Controls**
 - **Vendor Management and Oversight**
 - **Disaster Recovery and Incident Response Plans**



RESOURCES



201 CMR 17.00: Standards for the Protection of Personal Information of Residents of the Commonwealth: www.mass.gov/ocabr/docs/idtheft/201cmr1700reg.pdf

Office of Consumer Affairs and Business Regulations- 201 CMR 17.00 Compliance Checklist: <http://www.mass.gov/ocabr/data-privacy-and-security/data/>

FFIEC IT Examination Handbooks: <http://ithandbook.ffiec.gov/it-booklets.aspx>

FFIEC Cybersecurity: www.ffiec.gov/cybersecurity.html

CSBS best practices: <http://www.csbs.org/ec/cato/Pages/cato.aspx>

Federal Trade Commission - Gramm-Leach-Bliley Act section 501(b): <http://www.business.ftc.gov/privacy-and-security/gramm-leach-bliley-act>



Massachusetts Mortgage Licensing Update 2014



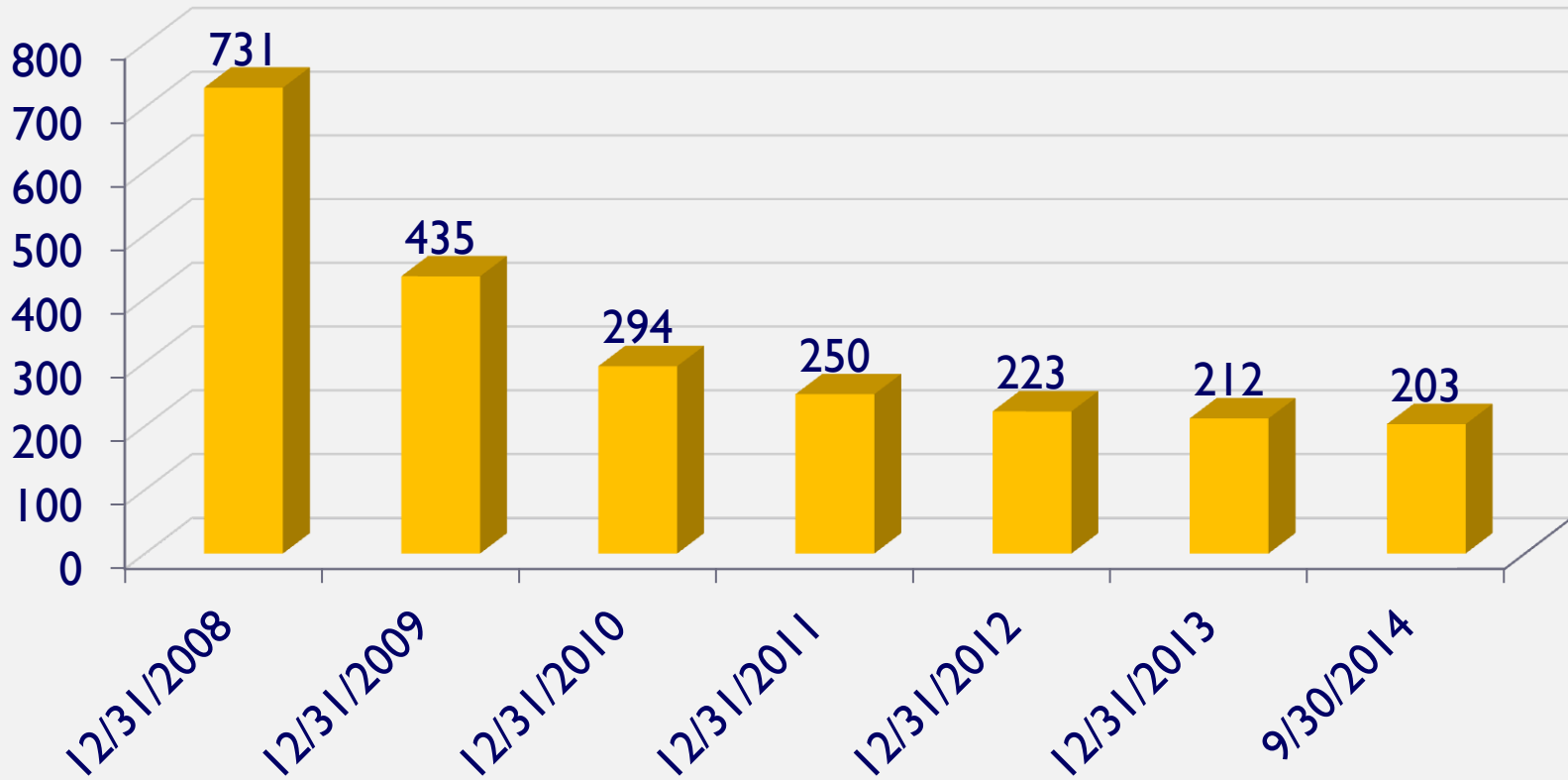
CHIEF DIRECTOR: TOM BRENNAN
EXAMINER: MICHAEL DESOUSA



Statistical Overview – Mortgage Broker (MB)



MBs by Year

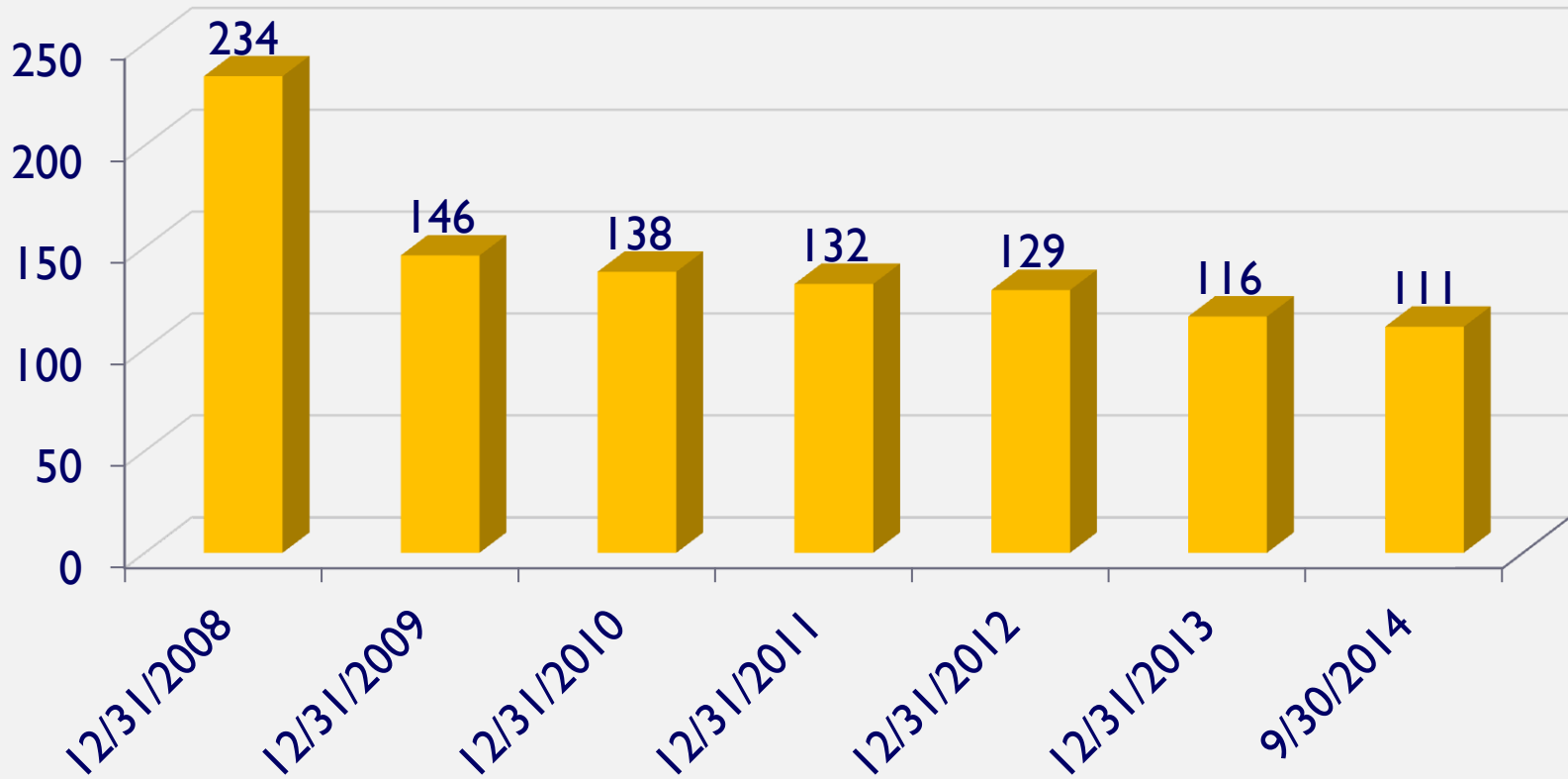




Statistical Overview – Mortgage Company (MC)



MCs by Year

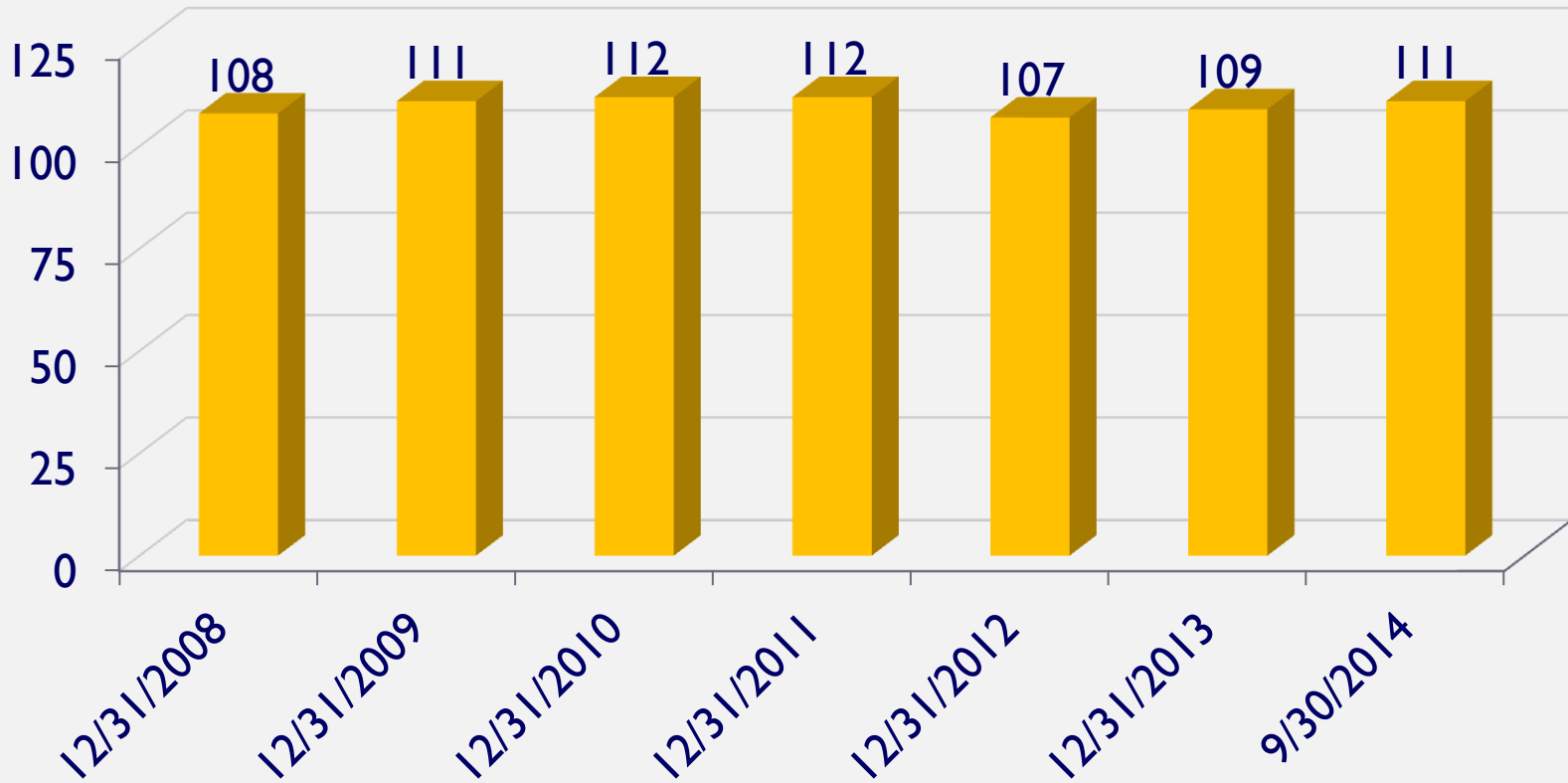




Statistical Overview – Mortgage Lender (ML)



MLs by Year

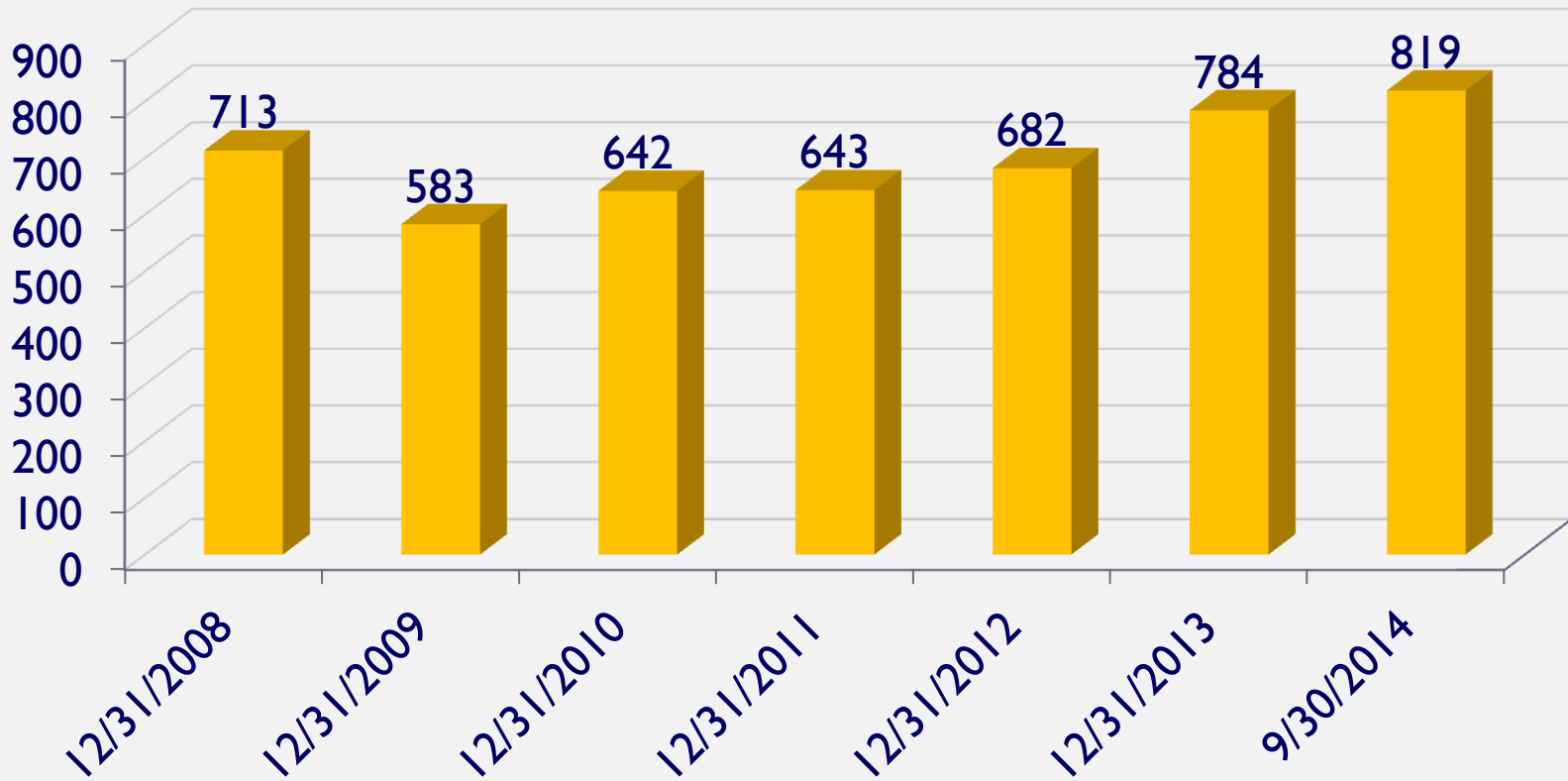




Statistical Overview – Branches



Branches by year

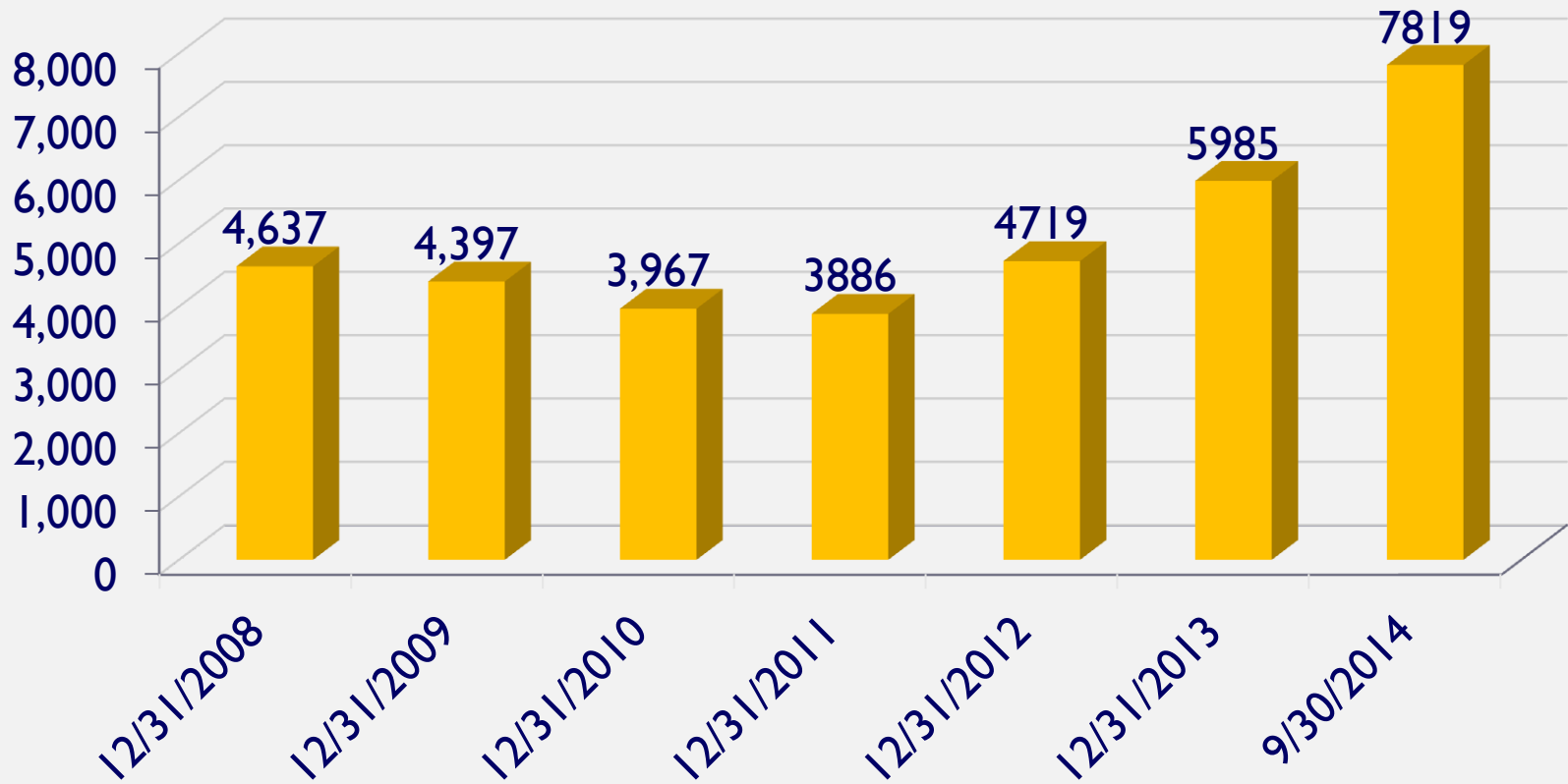




Statistical Overview – MLOs (active)



MLOs by Year





Consumer Finance Companies



Non-Depository Institution Supervision

The Division of Banks regulates a range of non-bank financial service providers including mortgage companies, mortgage loan originators, money services businesses, consumer finance companies, and debt collectors.

Consumer Finance Companies	# of Licensees	# of Branches/Agents
<i>Insurance Premium Finance Companies</i>	26	11
<i>Motor Vehicle Finance Companies</i>	77	39
<i>Retail Installment Finance Companies</i>	16	2
<i>Small Loan Companies</i>	16	4
Money Services Businesses		
<i>Foreign Transmittal Agencies</i>	50	2502
<i>Check Sellers</i>	15	
<i>Check Cashers</i>	62	89
Debt Collectors and Loan Servicers		
<i>Debt Collectors</i>	413	312
<i>Loan Servicers</i>	85	
Total Non-Depository Licensees	* 9036	** 4356

* includes mortgage companies and mortgage loan originators

** includes mortgage company branches



Depository Institutions



Depository Institution Supervision

The Division of Banks is responsible for the oversight of all state-chartered banks and credit unions in Massachusetts

Banks	# of Institutions	Assets (12/31/2013)	# of Branches
<i>Co-operative Banks</i>	50	\$16,694,614,000	145
<i>Savings Banks</i>	59	\$54,595,236,171	527
<i>Trust Companies</i>	17	\$277,261,444,000	401
<i>Limited Purpose Trust Companies</i>	1	\$96,627,000	0
Credit Unions	76	\$13,995,471,430	151
Total Depository Institutions	203	\$362,643,392,601	1224



Advance Change Notification



- **Licensees must now submit advanced notification through NMLS**
 - Address Changes
 - Owner/Control Person Changes
- **In some cases, paperwork is still required outside of the system**
 - CORI and ID for MU2 associated, non-MLO individuals
 - CBC and/or credit explanations
 - Financial statements



Other Licensing Topics



- Mortgage Call Reports filed in the NMLS
 - Timely and correctly, may be edited for accuracy post-filing
 - NMLS Enhancements
 - ACI 100 and AC600-630
- Organizational Charts & Management Charts
- Books and Records

“...licensees are required to maintain books and records pursuant to 209 CMR 42.09 and 209 CMR 48.00 et seq. If a licensee fails to comply with the regulations, the Commissioner may modify, curtail, rescind, or otherwise limit a licensee’s authority to keep its books, records, and accounts at a location outside of the Commonwealth or to store books, records, and accounts in electronic format. Furthermore, if a licensee does not comply with 209 CMR 48.00 the Commissioner may take enforcement action including, but not limited to, suspension or revocation of the license.”



Other Licensing Topics (continued)



- **AARMR & NMLS Conference Updates & Discussions**
 - 2015 NMLS Annual Conference February 16-19, San Diego, CA
- **CFPB's MLO requirements for Depository Institutions**
 - Education
 - Background Checks
 - Training
- **Non-Depository Licensing in the NMLS**
 - Orders – formal and informal



Recurring Deadlines



- Renewal Season November 1- December 31
 - FAQs
- Lenders' Quarterly Financial Statements
 - In-house prepared
 - Signed by an officer
 - Uploaded within 45 days of quarter's end
 - Balance Sheet and Income Statement
 - Compare to MCR lines AC600-630



Recurring Deadlines (continued)



- Fiscal Year End Financials
 - Uploaded within 90 days of fiscal year end
 - All schedules and notes
 - ✦ Including any Supplemental Notes for government approvals
- Annual Report
 - Must be emailed (dobannualreport@state.ma.us)
 - Deadline March 31
 - \$50.00 per day late fee



2015 RENEWAL FAQs



- *Renewal Fees*
- *May we request that the Division hold off on processing applications between certain dates so as to avoid paying renewal fees for October applicants?*
- *How should documentation be submitted?*
- *When are CBC and credit reports due?*
- *Will unsatisfied deficiencies block renewal requests?*
- *Is there an extension of the renewal deadline for those on leave of absence and in the military?*
- *Are there late fees?*



2015 RENEWAL FAQs



Who pays renewal fees?

All companies, branches and individuals holding licenses or registrations on October 31st must submit requests for renewal and are subject to renewal fees. Exempt company registrants pay no renewal fees to Massachusetts.

If a license is approved after November 1st, will an annual renewal fee be assessed?

No, all licenses and registrations approved in November and December of 2014 are automatically renewed for the 2015 fiscal year.

Can a company work with the Division to time its new applications so as to avoid renewal fees?

Licenses approved between October 15-31 will be held and approved during the first week of November unless otherwise requested to activate these applications during this time.



2015 RENEWAL FAQs



Is your state a streamline or are there additional documents needed to send to you?

The Division participates in the NMLS Streamline Renewal process. However, some documentation must be submitted to the Division outside of the NMLS; this includes:

- CORI Request Forms for all control persons along with legible, government-issued photo ID
- Original surety bonds, continuation certificates and riders



2015 RENEWAL FAQs



Are mortgage loan originators required to submit a CBC and credit report after November 1st? When do these items need to be requested by?

A CBC and credit report must be submitted prior to requesting renewal. The following must be complete before a renewal request can be filed in the NMLS:

- CBC with legible results in the prior 90 days
- Credit report run in the prior 90 days
- Continuing Education
- Testing compliance

Please note, as with new applications, the obligation of providing credit explanations, supporting documents or any documentation a licensee feels will support the renewal of a license are on the licensee and should be submitted once renewal is submitted in the NMLS.



2015 RENEWAL FAQs



Will unsatisfied deficiencies block renewal requests?

Unsatisfied deficiencies will not prevent the filing of renewal requests. However, they will prevent the system from processing these requests (hold on renewal) through automated renewal.

The Division may manually prevent or hold renewals as a result of longstanding deficiencies. Ensure that all requests have been addressed prior to renewal season.

How will a prevent or hold on renewal affect a license?

Licensees and registrants that fail to file for renewal will experience a change in license status to Terminated – Failed to Renew on January 1, 2015. These licensees must cease activities at this time and submit for renewal during the Reinstatement Period, which runs from January 1 – February 28, 2014. These *licensees may only resume business once the renewal request is approved by the Division.*

A hold on renewal will not directly alter a company or individual's license status.



2015 RENEWAL FAQs



Is there an extension of renewal deadline for those on leave of absence and in the military?

There are no extensions. However, the Division will review these circumstances on a case-by-case basis.

Are there late fees?

A \$300 late fee will be assessed for licensees and registrants that fail to submit for renewal by December 31st and wish to submit for renewal during the Reinstatement Period.



Contact Information



Senior Deputy Commissioner Paul A. Gibson

paul.gibson@state.ma.us

Chief Director of Mortgage Examinations Amy Hassey

amy.hassey@state.ma.us

Associate Counsel for Non-Depository Institution Supervision Valerie Carbone

valerie.carbone@state.ma.us

Chief Director of Mortgage Licensing Thomas Brennan

thomas.brennan@state.ma.us

Licensing Examiner Michael DeSousa

michael.desousa@state.ma.us