CMBA California Mortgage Bankers Association
Since 1955
The Voice of Real Estate Finance

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FOR CALIFORNIA

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April 20, 2012

Stuart Drown
Executive Director
The Little Hoover Commission
925 L Street, Suite 805
Sacramento, CA 95814

Dear Stuart,

Thank you for the opportunity to present our thoughts concerning the commission's work regarding the consolidation and/or merger of various state departments. The California Mortgage Bankers Association represents the residential and commercial real estate finance industry in our state. CMBA encourages and promotes sound business practices and honesty in marketing, origination, lending and servicing of mortgage loans through our educational and networking opportunities.

The majority of our mortgage banking members are state-licensed entities who are keenly aware of the enormous significance that any proposed consolidation of state departments and regulators could have on companies doing business in our state. Specifically, our members would be most affected by any changes to the Department of Corporations and the Department of Real Estate. While we appreciate and support the Governor and the commission's desire to make our state operate more efficiently and prioritize the state's valuable resources, our organization has several concerns:

- Cost is a primary concern for any business, including mortgage bankers. If the nature, cost or frequency of regulatory examinations changes, that will have a direct impact on a mortgage banker's ability to do business in the state. Any changes must take this into primary consideration.
- In 2008 the federal government passed the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE) that was later adopted in law at the state level. In our state, the change was significant and altered the licensing process for all originators. Currently, one of the challenges originators face in our state is the length of time it takes for a license to receive approval. Other states generally take only a few days to approve a license, while our state routinely takes a few weeks to approve, which puts our businesses at a terrible disadvantage. Not only do the originators lose valuable time in which they cannot work, but their employers are at a competitive disadvantage

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compared to federally-chartered entities. Changes to the regulatory structure would undoubtedly impact how individuals are licensed going forward. Again, we would caution the commission that substantial changes to the licensing process should be done with great care and consideration.

- Another question our members have concerns accessibility. Currently, we feel that both the Department of Corporations and Department of Real Estate do not have the human resources necessary to keep up with the large mortgage and real estate market in our state. Anecdotally, we have heard from members that the licensing process takes much longer in California than in other states. We are concerned that a consolidation of departments would not necessarily provide licensees with a higher level of accessibility. Additionally, we have been concerned for a number of years that regulatory staff is not adequately knowledgeable about important industry trends, processes, and norms. We would suggest that any reorganization include an advisory committee that includes industry individuals that could volunteer time to help keep regulatory staff up-to-date on the industry, as well as provide valuable guidance and support during any transition period.
- Finally, we have questions and concerns about how this would affect the state's commercial and multi-family mortgage bankers, who are currently licensed through the Department of Real Estate. Traditionally, legislative and regulatory actions have recognized the important differences between residential and commercial mortgage bankers. Transactions involving commercial properties are very different than those involving residential properties, and the needs of licensees are therefore different. Commercial mortgage bankers do not typically interact with consumers, and thus should not be subject to the same rules as consumer-focused residential lenders. We would recommend that the commission take that into consideration, and our concerns in this area would therefore center on what the licensing and regulatory structure would look like?

Again, we appreciate the opportunity to provide our thoughts, and we stand ready to assist the commission in any way we can going forward. Thank you.

Sincerely,

Susan Milazzo

Susan Milazzo
CMBA Executive Director