



Overview of the Division of Consumer and Mortgage Lending

House Financial Institutions and Pensions Committee

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Office of the State Bank Commissioner

Role of the Consumer and Mortgage Lending Division

- The Consumer and Mortgage Lending Division (CML) has two primary responsibilities:
 - License non-depository entities that conduct mortgage business, extend consumer credit or provide debt management services. The CML Division is fully funded through licensing application and renewal fees and annual report/volume fees.
 - A list of entities licensed with the OSBC is available on the agency's website www.osbckansas.org.
 - Examine entities licensed by the Division for compliance with state and federal law and regulation.
- Administer grants to support consumer education and awareness.
- Respond to consumer questions and concerns.



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CML State Laws

- **Kansas Mortgage Business Act (KMBA)**
 - The KMBA regulates non-depository mortgage lending, brokering, servicing and loan origination in Kansas. Many of the provisions of the KMBA were modified following passage by Congress of the SAFE Act in 2009. The Act set new requirements for loan originators and mortgage lenders. SB 369, approved by the Legislature in 2016, also updated the statute.
- **Uniform Consumer Credit Code (UCCC)**
 - The UCCC is the primary state law that governs consumer loans and credit sales. It defines how credit transactions may be structured, specifies what information must be provided to the consumer, and sets limitations on fees, interest and other charges.
- **Credit Services Organization Act (CSOA)**
 - The CSOA governs credit services organizations/debt management services that operate in Kansas for a fee or compensation. CSOs are generally non-profits that help consumers develop a budget, develop and implement debt payment arrangements, and provide financial education resources. CSO fees are limited by statute.



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CML Licensing Activity – 2016

Entity Type	Entities on		Newly Licensed	Entities on		Net Changes	
	12/31/15	Surrenders		12/31/16	(#)	(%)	
Mortgage Companies	250	4	188 (153)*	434	184	74%	
Mortgage Company Branches	367	75	474 (302)*	766	399	109%	
Supervised Lenders¹	389	146 (129)*	38	281	-108	-28%	
Supervised Lender Branches	635	336 (268)*	61	360	-275	-43%	
Mortgage Loan Originators	4,570	614	2,159	6,115	1,545	34%	
Credit Services Organizations	34	3	0	31	-3	-9%	
Notification Filers²	2,362	175	123	2,310	-52	-2%	
Total Entities:	8,607			10,297	1,690	20%	

*The subset figure in parentheses reflects entities that transitioned to a mortgage company license per SB 369.

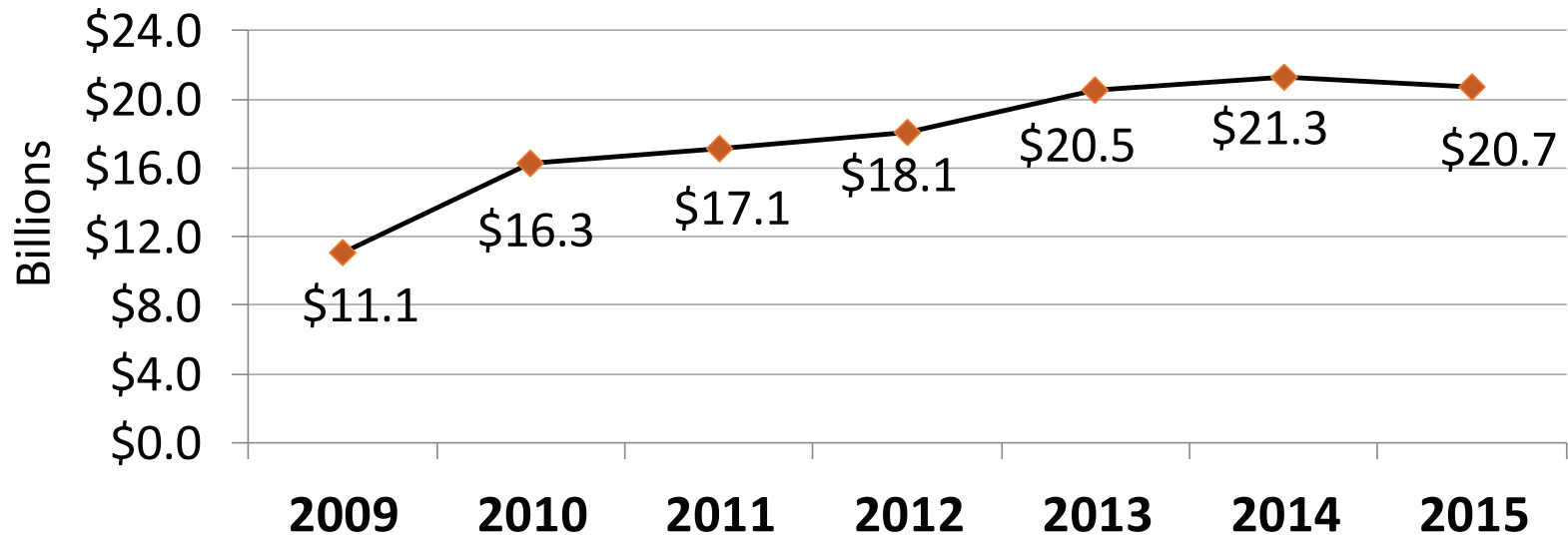
¹Lenders that make or take assignment of loans with an APR that exceeds 12%. Includes finance companies, small dollar lenders, and debt buyers.

²Creditors that enter into consumer credit transactions (credit loan, sale or lease), take assignment of and undertake collection of payments, or take assignment of and enforce rights against debtors arising from the consumer credit transactions. Loans must be less than 12% APR. Notification filers include buy here/pay here auto dealers, furniture stores, jewelry stores, and funeral homes.



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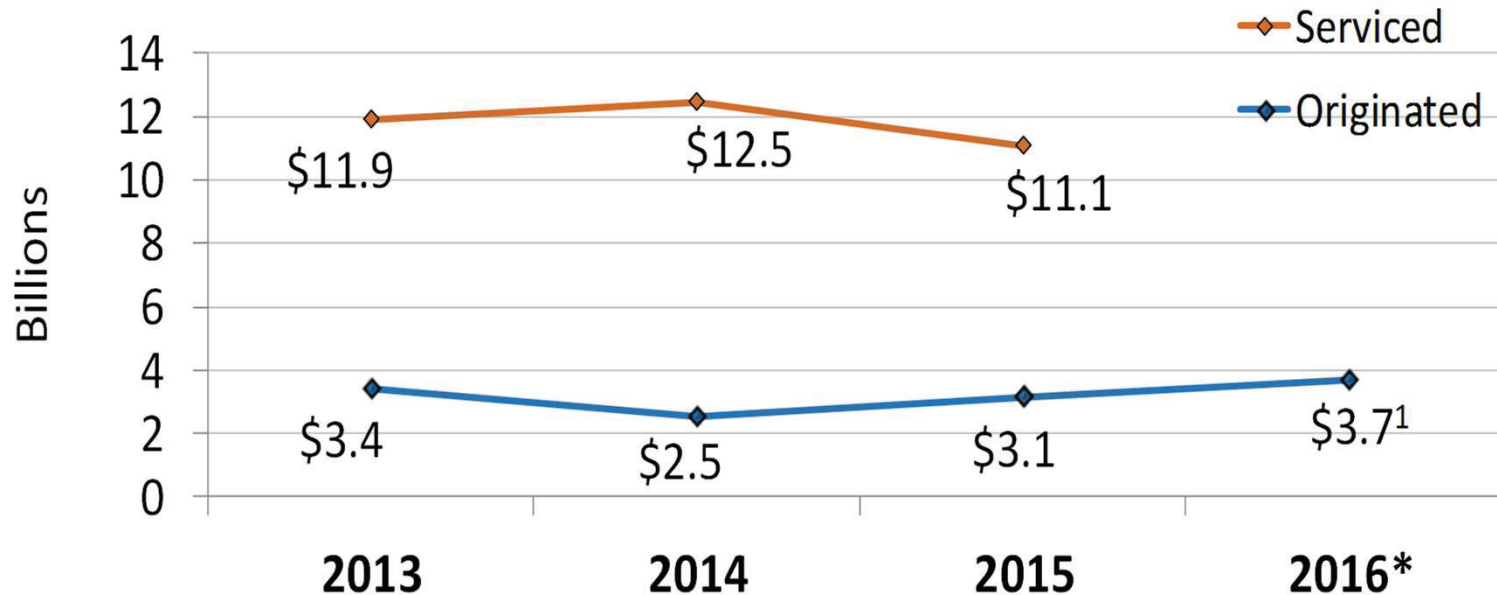
Total Kansas Loan Volume¹ (as of last annual report)



¹Loan volume includes: mortgage loan originations, acquisitions, and servicing; consumer loan originations and servicing; credit sales originations and servicing; and debt management plans.



CML Mortgage Loan Activity (as of last annual report)



¹Projected based on year-over-year growth rate from 9/30/15 to 9/30/16.

* Servicing figures for 2016 will be available in April 2017.



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Top Five Companies by Mortgage Loan Activity

Mortgage Loan Originators

Amount Originated¹

Quicken Loans, Inc.	\$ 417,076,619
Freedom Mortgage Corporation	141,456,153
Community Mortgage, LLC	123,075,799
HomeServices Lending, LLC	116,114,385
LeaderOne Financial Corporation	115,458,156

Mortgage Loan Servicers

Amount Serviced²

Ocwen Loan Servicing, LLC	\$ 1,847,828,831
TruHome Solutions, LLC	1,267,347,755
Quicken Loans, Inc.	1,063,827,234
Ditech Financial LLC	961,542,192
Dovenmuehle Mortgage, Inc.	889,620,483

¹Based on loan volume reported from 9/30/15 to 9/30/16.

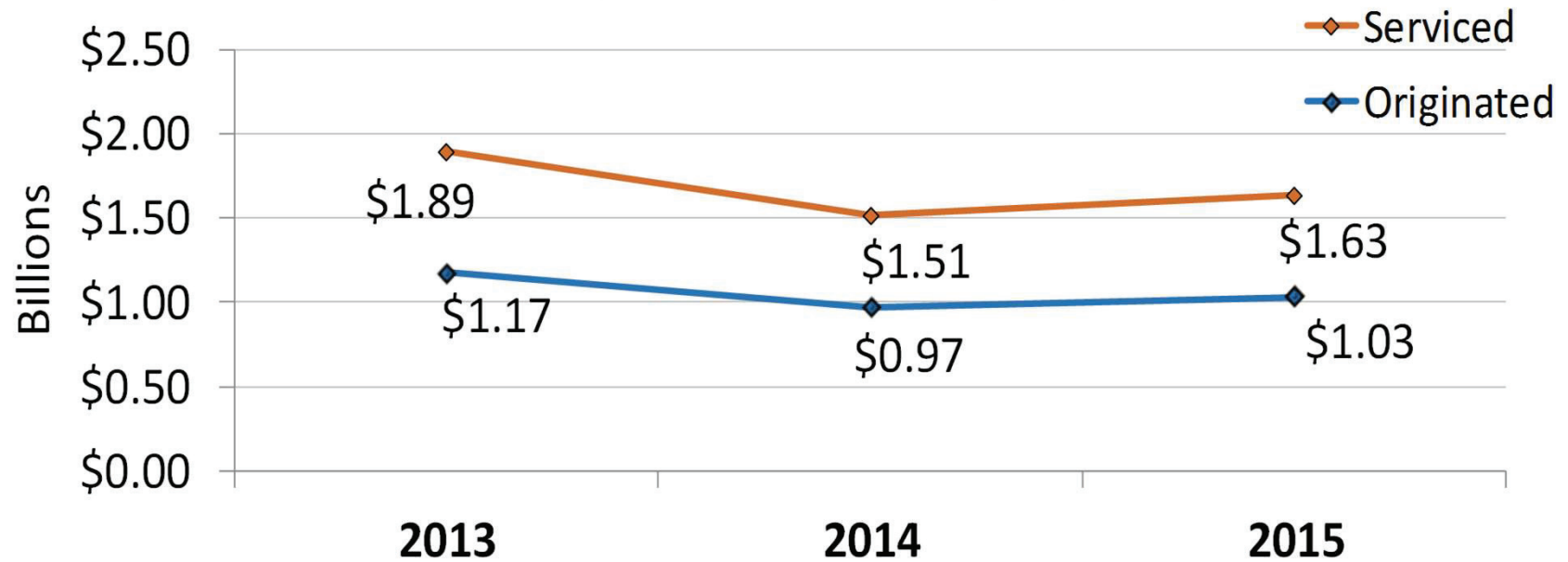
²Based on 2016 Q3 report ended 9/30/16.



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CML Consumer Loan Activity

(as of last annual report)





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CML Examinations

- The target examination schedule for regulated entities is approximately every 36-40 months. Exams are conducted both on-site and off-site. More frequent exams may be conducted if necessary.
- The Division has statutory authority to take a range of enforcement actions as needed for companies not in compliance. Enforcement actions may include consumer restitution, fines, and license revocation.
- In 2014, the Division began conducting limited scope exams of companies within the first six months of licensure. These limited scope reviews are to determine the type and amount of activity conducted in the state and to identify any compliance issues early. The Division also began participating on a limited basis in multi-state examinations of larger licensed entities in an effort to promote efficiencies in the examination process.
- Beginning in 2017, the Division is restructuring to have examiners specialize either as Mortgage Examiners or Consumer Credit Examiners. A few highly skilled examiners will be available to lead and participate in any Division examination.



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Legislative Initiatives

- During the 2016 session, the Kansas Legislature approved SB 369 to modernize the Kansas Mortgage Business Act (KMBA). A key provision of SB 369 transitioned all licensees that conduct mortgage business into the KMBA for licensing purposes (previously, some mortgage companies licensed under the UCCC). Approximately 150 companies transitioned to a KMBA license in 2016. The process was completed seamlessly. The bill also reduced duplicative report filing by licensees and streamlined our Division's regulatory processes. The OSBC is proposing a bill to provide a few additional updates to the KMBA Act this year.
- For 2017, the OSBC is proposing to update the Credit Services Organization (CSO) Act. The bill would enhance certain consumer protections and provide additional flexibility and resources for CSOs to provide services to consumers.



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Federal Regulation – Looking Ahead

- Many consumer financial protection provisions are contained in Title X of the Dodd-Frank Act (DFA), which establishes the Consumer Financial Protection Bureau (CFPB). The CFPB is an executive branch agency, established in 2011, that assumed most of the existing federal consumer protection responsibilities exercised by other federal regulators. The CFPB has broad authority to identify consumer protection issues and implement regulations to address those issues.



Federal Regulation – Looking Ahead

CFPB Proposed Rule on Payday, Vehicle Title, and Certain High-Cost Installment Loans

- In June 2016, the CFPB proposed a rule regarding short-term, small dollar lending. The comment period for the rule closed in October, and the timing of a final rule is unclear. The CFPB indicates that it will provide a 15 month implementation period once a final rule is issued.
- Key requirements provide that a lender assess a borrower's ability to repay a loan, and sets a limit on the number of loans a consumer may take out with a specific lender within a specific timeframe. The rule creates several exceptions to the requirement that lenders meet these primary requirements.
- Certain types of loans are exempted from the rule, including loans for autos and consumer goods, real estate loans, credit cards, student loans, pawn loan, overdraft services and overdraft lines of credit.
- Any final rule will likely require changes to the Kansas UCCC to address conflicts that may arise between state law and the federal rule. A federal rule is expected to have an across-the-board impact on the industry and significantly affect creditors that offer these products.



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Consumer Education Initiatives

- The OSBC provides grants to support consumer education programs statewide. Grants support programs for children and adults.
- Fines and penalties collected as a result of enforcement actions are deposited in the Consumer Education Settlement Fund and used to fund grants for consumer education.
- The OSBC has provided approximately \$4.8 million in grants for consumer education since 1999, awarding an average of \$250,000 annually.
- Grantees served more than 41,000 consumers/students in FY2016.
- **KansasMoney.gov** – A state agency partnership that developed and launched a one-stop website for consumer financial information and assistance. Participating agencies include: Kansas Securities Commissioner, Office of the State Bank Commissioner, Attorney General, State Treasurer, Department of Revenue, Kansas Department of Credit Unions, and Kansas Insurance Department.



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Grant Programs Funded for 2016-2017

Organization / Program	Served in FY2016
<p align="center">Consumer Credit Counseling Services</p> <p>Provide financial education and counseling services primarily to central and western Kansas with locations in Wichita and Salina.</p>	9,531
<p align="center">Housing and Credit Counseling</p> <p>Provide financial education and counseling services primarily to northeast Kansas with locations in Topeka and Lawrence.</p>	7,874
<p align="center">EverFi</p> <p>EverFi Financial Literacy – An innovative and interactive way to bring complex financial concepts to life for high school students.</p> <p>EverFi @Work – Flexible financial wellness learning platform for adults.</p>	13,669
<p align="center">The Pando Initiative</p> <p>Reality U – A financial literacy simulation of life as a 26 year old.</p>	6,388
<p align="center">Kansas Council on Economic Education</p> <p>Poster Contest (K-8) – Students expand their knowledge as they illustrate economics.</p> <p>Personal Finance Challenge (6-12) – A competition for students learning about personal finance in the classroom. Topics include spending and credit, saving and investing, and income and money management.</p> <p>LifeSmarts (6-12) – A competition to develop consumer and marketplace knowledge including personal finance.</p>	3,952
<p align="center">Total Consumers / Students Served in FY2016</p>	41,414



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Consumer Inquiries and Complaints in 2016

The OSBC receives approximately 1,500 inquiries per year

Total Consumer Complaints in 2016: 217

2016 Written Complaints by Topic

