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As always, I appreciate the opportunity of speaking with you.

I am particularly happy to be with you today to announce the inauguration of the NCAMP North Carolina Accredited Broker and Lender Program (the “Accredited Broker and Lender Program”), a giant step forward in addressing the need in the mortgage market for high standards of conduct by mortgage originators upon which the industry’s stakeholders – consumers, secondary market lenders and regulators – can rely.

I am making this announcement as the regulator of mortgage brokers and lenders under the North Carolina Mortgage Lending Act (the “MLA”). In that capacity, I have asked the mortgage industry to work with me to establish and enforce best practices that will protect consumers and enhance public trust in the industry. The Accredited Broker and Lender Program is by far the most comprehensive and robust response to this request. I cannot thank Don Fader, Calvin Kirvin, Bill Bost, and the NCAMP board of directors enough for the hard work they have done to create and implement this program.

Please understand, this is not an outsourcing process. The Accredited Broker and Lender Program does not supplant the activities of the Office of Commissioner of Banks under the MLA. It augments those activities by bringing to bear industry resources to significantly improve the quality of service of mortgage originators. I have reviewed the program carefully and endorse it enthusiastically. Do I think it is perfect? No, I do not. Do I think it is miles ahead of anything else in the marketplace? Yes, I do. My endorsement is a promise to work with NCAMP to make the Accredited Broker and Lender Program as effective as it can be. This will take time, but it will be time well spent.

You may be wondering why I think this program is necessary. The mortgage market in North Carolina is vibrant and competitive. In general, North Carolina consumers benefit through receipt of a wide variety of products and services offered at attractive terms. I don’t have to tell you that the residential real estate market is an important segment of our economy, and I think it is fair to say that the health of the mortgage market is an important factor in that segment’s growth.

Regrettably, the good news is accompanied by other not-so-good news. Foreclosures in North Carolina are up dramatically and mortgage fraud is widespread. The increase in foreclosures could be explained by the increase in access to mortgage credit for subprime borrowers: more subprime loans, more risk, more foreclosures. However, there is a growing body of evidence that a significant number of foreclosures are the result of predatory conduct by originators. A recent series of articles in the Charlotte Observer, for example, reports on fifty-four neighborhoods in Charlotte that have at least one street with foreclosure rates over fifteen percent. The impact on the holders of the defaulted loans is bad; the impact on these neighborhoods and innocent people who remain in them after the foreclosure wave starts, is devastating. Similar horror stories are occurring throughout North Carolina, particularly in low to moderate income and minority census tracts.

Predatory conduct of the kind to which I am referring is immoral, unethical and intolerable. It does great harm to vulnerable people, destroys neighborhoods and profoundly undermines the legitimacy and stability of the modern mortgage market. Further, in almost every case of predatory conduct, a mortgage broker was an aider and abettor or worse. Both you and I have a serious and immediate need to address this problem.

But hasn't the General Assembly already dealt with these issues by adopting the Anti-Predatory Lending Law and Mortgage Lending Act? Yes and no.

The Anti-Predatory Lending Law has successfully restricted certain loan terms relating to high-cost home loans. It did not of itself "outlaw" unethical and illegal conduct by originators of mortgages any more than any other law implements itself. Dealing with the "new" predatory lending described above will require a redoubled effort by my office and other regulatory and law enforcement agencies. Having gotten the Mortgage Lending Act system of licensing in shape, I can assure you that my top priority in mortgage regulation for the foreseeable future is enforcement.

With regard to the Mortgage Lending Act, I can tell you, with assurance, two things. First, licensing of the kind established by the MLA is an important and effective tool in policing the marketplace. Second, licensing under the MLA is insufficient of itself to assure the public of fair and ethical treatment. The MLA is a pioneering work that has established a necessary baseline for participation in the mortgage market as a banker, broker or loan officer; however, the standards it has established are minimum standards. Further, the statute conferred "grandfather" status on virtually everyone in North Carolina who was breathing and who claimed to be in the mortgage business on the statute's effective date. My colleagues and I have spent the better part of three years removing or placing under wraps people whose prior histories raised questions about their character and fitness. That said, we have not gone through a "character and fitness" analysis of every one of the thousands of loan officers who are currently active in North Carolina.

Because of the limitations I have just discussed, I hope that it is clear that licensing under the MLA is not an endorsement of the competence or even the honesty of a license holder. It concerns me greatly that the public may think differently. If not aggressively dealt with, the "new" predatory lending will, over time, undermine any such belief and, in doing so, will undermine the law itself.

More needs to be done. The question is: what? At the risk of slight oversimplification, let me suggest to you that there are two alternatives: action by government or action by industry. Leaving aside the prospect of federal legislation, the first of the alternatives probably would involve (i) a strengthening of the MLA, or (ii) the issuance of detailed regulations under the MLA that would make obtaining and retaining a license more difficult and would increase the cost of compliance for market participants, or (iii) both. The second alternative, industry action, would (at least in theory) be more likely to be focused and efficient and would bring new resources and

knowledge to the market clean-up effort. Other things equal, I prefer the second alternative to the first.

This brings me to the Accredited Broker and Lender Program. This program, which involves peer to peer accreditation, effectively addresses the shortcomings of MLA licensing by:

- Requiring twelve hours of continuing education per year for personnel, rather than the legally required eight hours.
- Requiring that such training be done in person so that actual attendance is assured.
- Including business ethics in its continuing education offerings and incorporating a business ethics protocol in the requirements for accreditation.
- Incorporating compliance with applicable law regarding customer privacy and the protection of customer personal financial information.
- Requiring adoption of a fair lending policy.
- Requiring adherence to best practices standards that are, in fact, best practices.
- Establishing a mandatory mediation process to address consumer complaints promptly and fairly.

Frankly, the features of the program I have just mentioned should be part of the way mortgage lenders and brokers do business anyway. Implementation of the Accredited Broker and Lender Program makes it much more likely that such practices will become the rule rather than the exception.

I know that NCAMP members are practical businesslike people, so I think it's important to tell you what the practical implications of this new accreditation program are, at least for me:

- I can now tell consumers and their representatives which brokers are more likely to give them competent and ethical service: NCAMP accredited brokers and lenders.
- I can now tell national lenders and their regulators which mortgage originators are more likely to deal with them fairly and honestly: NCAMP accredited brokers and lenders.
- I can now tell the issuers of security bonds which mortgage originators are least likely to cause them losses: NCAMP accredited brokers and lenders.
- To the extent that I continue to grant provisional or "second chance" licenses to certain loan officer applicants, such licenses will be conditioned upon their working for NCAMP accredited brokers and lenders.

- To the extent that I am willing to work with the industry to let mortgage brokers participate in the reverse mortgage market (not a done deal by any means), I can assure you that only NCAMP accredited brokers and lenders will be eligible.

Accreditation is not a panacea, nor is it a free pass from compliance with the MLA. It is a public acknowledgement that the accredited broker or lender understands what is required for the ethical and competent conduct of mortgage origination and has acted on that understanding.

The mortgage origination market is a modern marvel that has done much good for many people. That said, it has problems that, if not addressed, can undo much of that good. I appreciate very much NCAMP's willingness to work with NCCOB to address these problems aggressively and effectively. I look forward to continuing this work.

Thank you very much for your attention.