

# Legislative Analysis

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## **Senate Bill 908 (Substitute H-1)**

**Sponsor: Sen. Darwin L. Boohar**

**House Committee: Banking and Financial Services**

**Senate Committee: Banking and Financial Services**

**Complete to 5-1-12**

*(Enacted as Public Act 150 of 2012)*

## **A SUMMARY OF SENATE BILL 908 AS REPORTED FROM HOUSE COMMITTEE ON 4-18-12**

The Mortgage Loan Originators Licensing Act was enacted in 2009 to bring Michigan into compliance with the Secure and Fair Enforcement for Mortgage Licensing Act, a federal statute also known as the SAFE Act. That act requires states to establish uniform regulations and minimum licensure requirements for residential mortgage loan originators (MLOs). Michigan's law requires a person to obtain a license from the Commissioner of the Office of Financial and Insurance Regulation (OFIR) in order to originate a residential mortgage loan.

Senate Bill 908 would amend the Mortgage Loan Originators Licensing Act to do the following:

- Require a person, in order to be licensed as a mortgage loan originator, to have a sponsor in the Nationwide Mortgage Licensing System and Registry (NMLS) approved by the Commissioner of the Office of Financial and Insurance Regulation. [This is understood to reflect the requirements and terminology of the NMLS.]
- Provide that the license of a mortgage loan originator who failed to meet the act's surety bond requirement or the sponsor requirement would automatically be subject to a condition that he or she could not originate mortgage loans under the act. Such a mortgage originator would be required to immediately cease the origination of mortgage loans and could not originate mortgage loans until that condition is removed by the Commissioner. [This is understood to be an alternative to the suspension or revocation of a license, and other licensing measures. It provides consumer protection without undue hardship to the licensee.]
- Delete a now-obsolete provision under which a person, before July 31, 2011, did not need to be licensed if he or she was authorized to perform loan modification activities but not to originate new residential mortgages, and certain other criteria were met. The bill also would delete the definition of "loan modification activities."

The bill would define "sponsor" as a person that meets all of the following:

- Has a unique identifier in the Nationwide Mortgage Licensing System and Registry.
- Is approved by the OFIR Commissioner in the NMLS as an exempt company or as a person licensed or registered under the Mortgage Brokers, Lenders, and Servicers Licensing Act, the Secondary Mortgage Loan Act, or the Consumer Financial Services Act.
- Has indicated in the NMLS that an individual will act as a mortgage loan originator for that person under the person's specific license, registration, or status as an exempt company.

The bill would define "exempt company" to mean a person that is not required to obtain a license or registration, or is exempt from licensure or registration, under one of the statutes listed above; has a unique identifier in the NMLS; and has been approved by the Commissioner in the NMLS as an exempt company.

#### **FISCAL IMPACT:**

The bill would not have a substantial fiscal impact on state or local budgets.

#### **POSITIONS:**

Michigan Mortgage Lenders Association supports the bill. (4-18-12)

Quicken Loans supports the bill. (4-18-12)

Military Order of the Purple Heart supports the bill. (4-18-12)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.