



MORTGAGE BANKERS ASSOCIATION

Work from Home State Licensing Flexibility Model State Bill and Rules *Talking Points*

- During the COVID-19 coronavirus pandemic, millions of middleclass families and first-time homebuyers have been able to take advantage of the lowest interest rates in American history to purchase and refinance their homes. This result is in large measure because the real estate finance industry has been able to continue to function efficiently throughout the nation's shelter in place mandates issued by state and local governments.
- Many of the companies that offer this low cost of credit are independent mortgage bankers (IMBs) who are licensed by each of the states in which they do business. Also licensed by states are the mortgage loan originators (MLOs) working in these firms who discuss loan terms and pricing directly with consumers. State laws and regulations, enacted in the wake of the financial crisis, generally require these licensed MLOs to work from licensed locations or require certain functions to be performed under the supervision of licensed staff.
- Since March 2020, however, MLOs have been provided the necessary flexibility by state regulators to operate from home provided they and their companies maintain strict consumer and data protections. This has not only kept the vital housing market operating during the pandemic, but also allowed consumers most impacted financially by the economic downturn and spike in unemployment to discuss new more affordable loan terms with licensed MLOs.
- In fact, the real estate finance industry has been remarkably productive from this new work location paradigm as measured by the number of mortgage forbearances provided during the crisis. The numbers rose as high as nearly 4.3 million loans at one point during the Spring of 2020.
- This model legislation and regulation would recognize the evolution in work location changes happening in the economy by amending the state's requirements for licensed mortgage company staff to work from other than a licensed location.
- Importantly, this proposed policy would in no way weaken vital state laws and rules necessary to protect borrowers while they work with mortgage lenders or servicers. Nor would it impede the ability of state regulators to examine and supervise companies servicing borrowers in their state. Rather, the models attempt to apply lessons learned by regulators and industry during the pandemic, which would also have the benefit of enhancing competition in providing consumers the most and best options and service.
- The real estate finance industry appreciates that each state will need to act separately to make changes, and MBA believes the model language provides a starting point for collaborative discussion with key policy makers. MBA believes it is best to work together with legislators and regulators to achieve a consistent approach among the different states.
- Pandemic work experience has offered many lessons, and this proposal represents a reasonable approach to modernizing these decade old laws.