

Recent Regulation & the Mortgage Industry

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Recent Regulation & Mortgage Industry

- Types of Mortgage Companies
- Dodd-Frank Impact on Mortgage Companies
- Dealing with the Regulation

Types of Mortgage Companies

- Banks
 - Exempt from state banking regulations



Types of Mortgage Co's, cont...

- Mortgage Bankers
 - Not a bank or depository institution
 - Funds loans with a line of credit
 - Sells loans to larger institutions (banks, Fannie Mae, etc)
 - Licensed & regulated by the state



Types of Mortgage Co's, cont...

- Mortgage Brokers
 - Originates loan
 - Relies on a mortgage banker or a bank to fund the loan
 - Licensed & regulated by the state

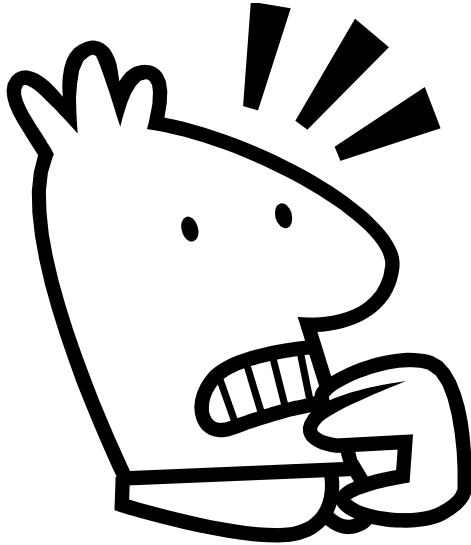


Mortgage Loan Originator

- MLO is also known as the Loan Officer
- Per the SAFE Act of 2008, all states must establish legislation & rules to license Mortgage Loan Originators
- Must work for a mortgage broker or mortgage banker
- No license requirement if MLO works for a bank



LOAN ORIGINATORS



**AS SEEN BY CONGRESS AND
CONSUMER ADVOCATES**

LOAN ORIGINATORS



AS SEEN BY BORROWERS

LOAN ORIGINATORS



AS SEEN BY THEMSELVES

Dodd-Frank Impact

- Title XIV – Mortgage Reform & Anti-Predatory Lending Act
- New Regulator – Bureau of Consumer Financial Protection
- Loan Origination Standards
- Standards for how Wall Street trades mortgage backed securities (MBS)

Benefits

- Potential to create simpler and more meaningful disclosures for borrowers

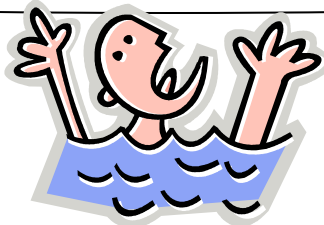
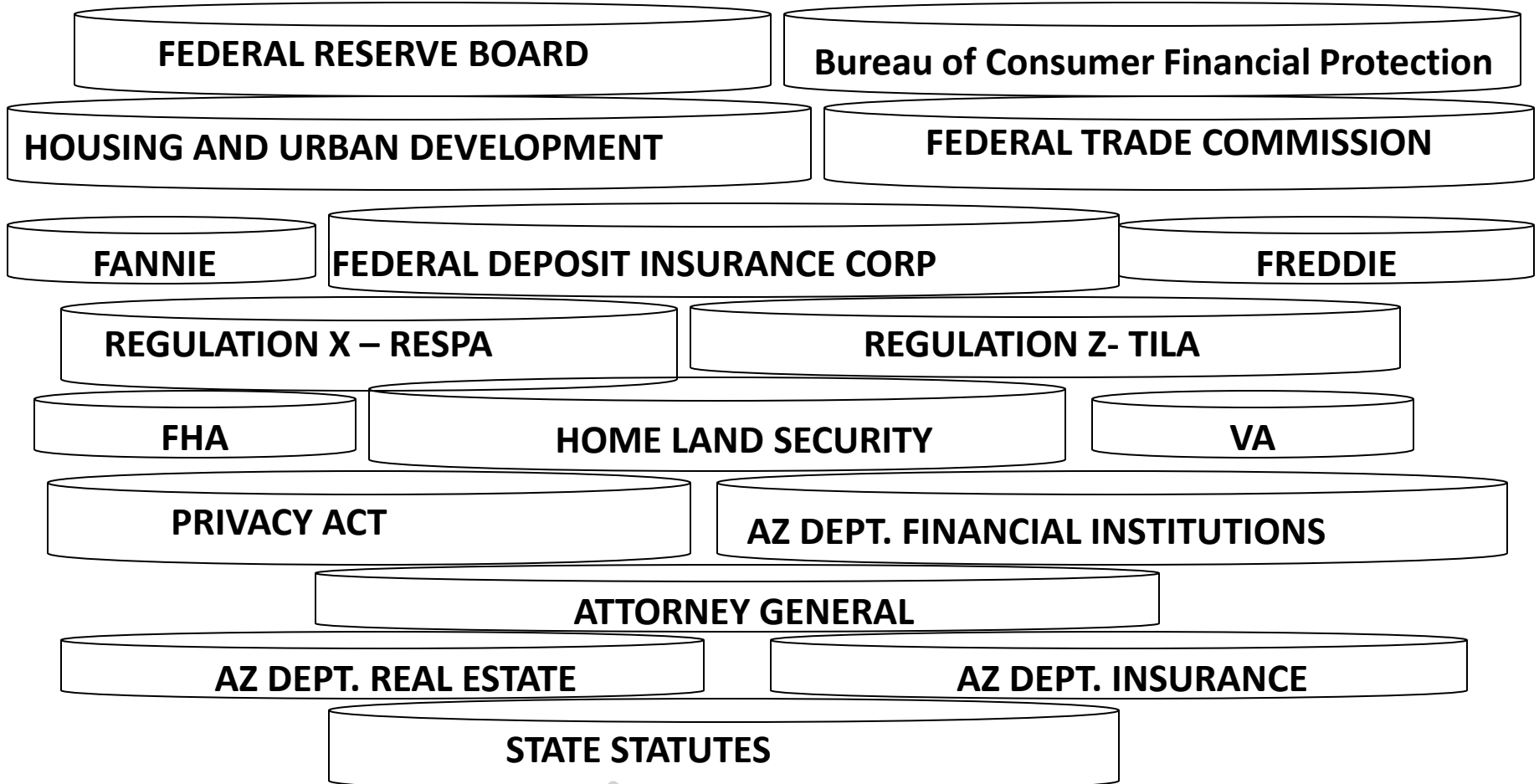


Challenges



- Restricts a lender from making many “common sense” loan decisions
- Permanently eliminates Subprime Lending* (*possible to do it responsibly)
- Additional regulation adds cost to doing business
- Uncertainty as we wait for rules to be written
- Industry becomes even more dependent on government
- Did not address Fannie Mae & Freddie Mac

LAYERS OF REGULATION



Dealing with Regulation

- Spending Money
 - Compliance Personnel
 - Compensation Plans
 - Attorneys
- Brokers becoming Mortgage Bankers
- Mortgage Bankers becoming Banks

Dealing with Regulation, cont...



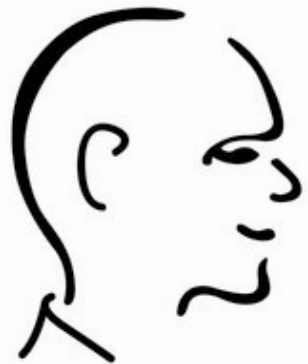
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