

Joint Committee on Ways and Means

Carrier – House: Rep. Riley
Carrier – Senate: Sen. Westlund

Revenue: No revenue impact

Fiscal: Fiscal statement issued

Action: Do Pass the A-Engrossed Measure

Vote: 18 – 0 – 1

House – Yeas: D. Edwards, Galizio, Jenson, Nathanson, Nolan, Shields
– Nays: Hanna, Morgan, P. Smith
– Exc:

Senate – Yeas: Gordly, Johnson, Monroe, Nelson, Schrader, Verger, Whitsett, Winters
– Nays:
– Exc: Bates, Carter

Prepared By: Robin LaMonte, Legislative Fiscal Office

Meeting Date: February 18, 2008

WHAT THE MEASURE DOES: Prohibits mortgage loan originators from performing an act as a loan originator in a negligent or incompetent manner. Allows Director of Department of Consumer and Business Services to suspend or bar a loan originator from employment for violating statute or rule or order of director. Prohibits mortgage bankers or mortgage brokers from employing a person as a loan originator if they have been suspended or prohibited from being employed as a loan originator or if employment violates a condition or order from the department or a state or federal agency or court. Requires mortgage bankers and mortgage brokers to file an annual report concerning residential mortgage lending activities by May 1st. Specifies contents and retention requirements for registry of loan originators maintained by the department. Declares an emergency, effective upon passage.

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: Loan originators are individuals employed by or acting as agents for licensed mortgage bankers and mortgage brokers for items such as qualifying a borrower for a loan and directly negotiating with borrowers on a loan's terms and conditions. Mortgage bankers and mortgage brokers are required to register their loan originators with the Department of Consumer and Business Services (DCBS), check the originators' criminal history, and ensure that they have met basic education standards and pass a qualifying exam. However, DCBS does not have enforcement tools in statute to ban or place employment restrictions on loan originators who do not adhere to acceptable conduct standards.

Senate Bill 1064 adds negligence or incompetence to the current list of prohibited conduct by a loan originator. Furthermore, DCBS can suspend or bar a loan originator from working for either an Oregon mortgage broker or mortgage banker if the loan originator has violated Oregon mortgage lender law, has been dishonest or incompetent while conducting a transaction, or has failed to account for all money received in a mortgage loan transaction. If DCBS has imposed such action(s), the loan originator cannot be hired by a mortgage banker or mortgage broker if they are suspended or have been prohibited to work as a loan originator; if employment violates any conditions of the director's order; or if employment violates any other order issued by the director, other state/federal agency, or a court.

The measure also creates a registry system that will provide consumers with information about loan originators such as enforcement actions, and requires DCBS to collect data from Oregon mortgage lenders which will help the department determine short and long-term trends and shifts in patterns.