

Arizona Association of Mortgage Brokers

For Immediate Release

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NEW LOAN OFFICER LAW TO INCREASE PROTECTION FOR CONSUMERS OBTAINING MORTGAGES

Licensing Requirements Culminate 13-year Effort by AZ Mortgage Brokers Association to Help Reduce Loan Fraud

PHOENIX, AZ (July 11, 2008) — A bill signed this week by Gov. Janet Napolitano will increase protection against loan fraud and misrepresentation by regulating individual loan officers, not just the mortgage companies where they work.

The law culminates efforts started in 1995 by the Arizona Association of Mortgage Brokers (AAMB) to pass a loan officer licensing bill as a means of raising professional and ethical standards in the industry. “We’re thrilled to see the passage of this bill, which represents an important step for the protection of consumers,” says Jody Davis, Chair of AAMB’s Legislative Committee and President of Hacienda Mortgage of Scottsdale.

“With the signing of this bill,” Mr. Davis says, “we’re restoring confidence in the industry. We hope to shift public attention toward the large majority of mortgage professionals who run their businesses ethically. This bill will help weed out the bad apples and make it unlikely that they’ll mislead borrowers in Arizona again.”

To gain support for the bill, AAMB worked closely with the Arizona Department of Financial Institutions, the regulatory agency which oversees state banks, lenders, mortgage brokers and other financial organizations, and which now will be responsible for regulating loan officers.

“This bill probably wouldn’t have seen the light of day without the leadership of Superintendent Felecia Rotellini at the Arizona Department of Financial Institutions,” says Davis. “She brought together a diverse group of industry organizations to get behind the bill and support it.”

Davis also cites the perseverance of the bill’s sponsor, Sen. Jay Tibshraeny of Chandler, as critical to getting it passed, even after it stalled late in the legislative session.

“This legislation brings another layer of accountability into what is, for most people, the most important investment of their lives,” says Sen. Tibshraeny. “It establishes both a level of professionalism in the industry and repercussions for those who violate the public’s trust.”

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The state currently regulates mortgage brokers and mortgage bankers, but now some 10,000 loan officers, who originate loans for these mortgage brokers and other lenders, must be licensed. To become licensed, a loan officer will be required to:

- attend mandatory education courses
- pass a criminal background check
- pass a test administered by the Arizona Department of Financial Institutions

Under the law, which takes effect in January 2010, Arizona loan officers will become part of a national database that tracks loan officers who leave or arrive in the state. At least 30 other states have loan officer licensing requirements.

Passage of the law comes at a time when loan defaults and foreclosures across the country are rising sharply, as more homeowners are unable to make their mortgage payments. Reports of mortgage fraud have also increased, and complaints to the state Department of Financial Institutions have risen significantly over the last year.

“The loan originator licensing legislation that the Governor signed into law is the result of almost two years of collaboration between regulators, legislators and the mortgage industry,” says Superintendent Rotellini. “It is an example of how a law should be drafted and passed because it was negotiated and discussed among the state agencies responsible for its implementation and the consumer and business organizations it will impact.”

Rotellini says the licensing requirement “raises the bar for professionalism and accountability of the mortgage industry, increasing consumer confidence. By making sure loan officers are knowledgeable about loan products, competent and honest, we can avoid harm to both consumers and lenders.”

Interviews Available Upon Request

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The Arizona Association of Mortgage Brokers (AAMB) is a non-profit professional organization established in 1980 to promote the common business interests of those engaged in the mortgage broker industry. AAMB's membership is comprised of individual members, not mortgage companies. AAMB members are also members of the National Association of Mortgage Brokers (NAMB) and as a result pledge to abide by the requirements of AAMB & NAMB Bylaws, Code of Ethics & NAMB Best Business Practices Guidelines.

For over twenty-five years, AAMB has been a valuable networking resource for its members and has advanced public awareness of professional mortgage brokers as a source of real estate financing. For more information, go to www.aamb.org/.