



Senator Andrew O. Brenner – 19th District
House Financial Institutions Committee
May 18, 2022
Senate Bill 264 – Sponsor Testimony

Chairman Jordan, Vice Chair Ferguson, Ranking Member Crossman, and members of the House Financial Institutions Committee, thank you for allowing me to present sponsor testimony on Senate Bill 264. This legislation will allow mortgage loan originators and independent mortgage bankers to work remotely in certain places other than their licensed location.

The stay-at-home orders issued in response to the COVID-19 pandemic required many industries and their regulators to change their operational models. In the case of the real estate finance industry, these orders conflicted with many of Ohio’s statutory and regulatory requirements for licensed staff to work from a licensed location, such as a branch office. Effected employees include mortgage loan originators (MLOs), servicing staff, and others involved in assisting consumers with mortgages.

To address this legal uncertainty and allow a key element of the economy to continue to function, state mortgage banking regulators quickly began issuing either conditional permission to allow licensed staff to work from other than a licensed location, or “no action” letters, which effectively achieved the same necessary result. Independent mortgage banker (IMB) similarly received permission for their licensed staff to work from home temporarily as opposed to the usual requirement that their teams operate from a licensed location. This regulatory flexibility allowed the real estate finance industry, a vital engine of the Ohio economy, to continue serving consumers not only during a time of crisis, but also when mortgage lending dramatically increased for first-time homebuyers.

Regulatory conditions of these official state policies included, for example, the following requirements:

- Licensable activity must be conducted from the home location of an individual working on behalf of a state-licensed company.
- Licensed staff must maintain all necessary licenses under state law to conduct licensable activity.
- None of the licensable activities may be conducted in person with members of the public from the home location.

- The company/employer must exercise reasonable supervision of the licensable activity being performed at the remote office and ensure that appropriate safeguards and controls are established concerning consumer information and data security.
- Licensed staff and their employer must meet specific data and information security provisions, including: secure access to origination systems, maintaining security updates, and prohibiting staff from keeping physical business records at non-licensed locations.

Ohio mortgage lenders and servicers successfully implemented each of these provisions while simultaneously meeting unprecedented consumer need and addressing their own significant operational challenges. However, given how little was known in early 2020 about the long-term impact of the pandemic, many of these regulatory actions were short-term and have required continuous extensions. Independent mortgage bankers need this flexibility beyond existing and modified health order timelines to continue operating and serving consumers. Moreover, given the many lessons of the pandemic, it is important for the industry and policymakers to work together to make these flexibilities permanent. Such action would recognize the evolution in work location changes happening in the economy, and ensure the industry is prepared for future national emergencies or natural disasters.

Before coming to this chamber, Senate Bill 264 was assigned to the Senate Financial Institutions and Technology Committee. Prior to passing this legislation with bipartisan support, the committee adopted one amendment at the request of the Department of Commerce to include a fee not to exceed \$25 to cover the cost of registration for off-site locations. This change was supported by the Ohio Mortgage Bankers Association and the bill later passed the Senate with 32 favorable votes.

It is important to note that this legislation would not weaken Ohio's vital safeguards and rules necessary to protect borrowers, nor would it impede regulators' ability to supervise lenders. It would instead apply in law lessons learned by regulators and the industry during the pandemic, which would also have the benefit of enhancing competition in providing consumers the most options and best service.

Mr. Chairman, for these reasons I urge favorable consideration of Senate Bill 264, and thank you again for this opportunity to give sponsor testimony. I would be happy to answer any questions you have at this time.