Chairman Hottinger, Ranking member Brown, and members of the committee. Thank you for the opportunity to provide written testimony in favor of HB 199. My comments will provide additional perspective in support of HB199 as both former regulator and licensed mortgage originator and current advisor to mortgage lenders.

My name is Bob Niemi and I am a Senior Advisor in the Regulatory Compliance & Licensing team for Baker Hostetler LLP based here in Columbus. Please note that while Baker is a large and successful law firm, I am not an attorney. From 2012 through 2015, I had the pleasure to serve as Deputy Superintendent for the Consumer Finance Section of the Department of Financial Institutions. In this role, I oversaw the licensing and supervision of seventeen license types issued under seven sections of the Ohio Revised Code. Consumer Finance is the section of DFI with oversight of non-depository lenders operating in Ohio including non-bank mortgage lenders, mortgage loan originators, mortgage bankers and mortgage brokers. In this role, I learned first-hand from Ohio companies of the challenges that our two sections of the mortgage related code had provided them over the years.

During my time with DFI, I was called upon to serve as Ombudsman for the NMLS System. In this national role, I interacted with mortgage regulators across the country and lenders in every state. I learned how confusing and intertwined our two sections or mortgage code was and how companies would not lend in Ohio because of this barrier.

Mortgage Brokers have been registered under the Ohio Mortgage Broker Act since 2002. Ohio was one of the first states to require Mortgage Brokers to register with education and a background check, though the Act had little enforcement authority. The act was modified in 2006 to increase enforcement authority, provide additional consumer protections and define prohibited acts. Those consumer protections were later added to the Ohio Mortgage Loan Act in 2010 to comply with the federal SAFE Act. SAFE is the federal Secure And Fair Enforcement Act of 2008 which first required pre-licensing education, background checks and annual continuing education of all non-bank mortgage originators regardless of company type in every state. While Ohio previously was licensing mortgage brokers, not all mortgage originators and mortgage bankers were held to the same standards.

Today non-bank mortgage companies require licensing under section 1321 when lending their own money and collecting at least the first payment in a first mortgage transaction or making a second mortgage. Section 1321 also has comes into play with new federal standards related to Qualified Mortgages as defined by the Consumer Federal Protection Bureau. If a loan fails to meet the standards of a Qualified Mortgage, the loan is non-saleable and the lender must now collect payments. While the original intent would have been to operate under the authority of 1322, the loan may move to a second license under 1321.

Over the years, examiners have interpreted the statute inconsistently when it comes to mortgage lending as business models and technology evolved. Under HB199, all mortgage loans secured by residential real estate, both first and second liens, would fall under section 1322 of the Ohio Revised Code. Section 1321 would cover loan secured by collateral other than residential real estate and unsecured loans. Both mortgage bankers and brokers would license under section 1322, the Ohio Residential Mortgage Lending Act.

I want to make it clear that it is not the intention of this bill to modify the requirements for lenders that make loans secured by collateral other than residential real estate or unsecured loans. Their requirements under Ohio law will remain in Section 1321 of the ORC. HB 199 will merely require all loans secured by residential real estate into one statute, Section 1322 of the ORC. A lender or mortgage broker company may only make loans secured by Ohio dwellings and Ohio residential real estate when licensed under Section 1322.

While some consumer protection language related only to mortgage lending is being removed from the Ohio Mortgage Loan Act – those consumer protections remain intact in the Ohio Residential Mortgage Lending Act in Section 1322.07.

To summarize, HB 199 creates one license type for non-bank mortgage lenders and moves all lending secured by residential real estate into section 1322 of the ORC, the Ohio Residential Mortgage Lending Act.

It enhances the Department of Financial Institution’s examination and enforcement authority over all non-depository mortgage lenders and maintains strong consumer protections. HB199 also creates a clearer and better-understood statute for the industry, the Division and consumers. This legislation will reduce regulatory burden without reducing any supervision or enforcement authority of the Division.

Thank you for the opportunity and I apologize I am unable to appear in person, but would be happy to answer questions at a later date if needed.