

# COMMONWEALTH OF VIRGINIA

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DELEGATE JOHN COSGROVE, Vice Chair  
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## VIRGINIA HOUSING COMMISSION

### Meeting Summary

### Virginia Housing Commission Senate Room B, General Assembly Building October 6, 2010; 1:00 P.M.

Members Present: Senator Mamie Locke, Delegate David Bulova, Delegate John Cosgrove, Delegate Rosalyn Dance, Delegate Glenn Oder, Senator Mary Margaret Whipple, Melanie Thompson, T.K. Somanath

Staff Present: Elizabeth Palen, Jillian Malizio

#### I. Welcome and Call to Order

- Senator Mamie Locke, *Chair*
  - The meeting was called to order at 1:14 p.m.

#### II. Mortgage Loan Originator Update

- Joe Face, *State Corporation Commission (SCC)*
  - As of 2009 the Code of Virginia requires that Mortgage Loan Originators (MLO) be licensed. If Virginia had not passed this licensing requirement the Department of Housing and Urban Development (HUD) would have taken over the responsibility of licensing MLOs in Virginia.
  - The SCC began accepting applications for MLOs in Aug. 2009. As of today there have been:
    - 4,760 approved applications.
    - 1,041 withdrawn or abandoned applications.
    - 23 denied applications.
    - 1,242 applications still pending. Most of those still pending are incomplete.
  - The definition of MLO is broader in Virginia than it is as defined by the Federal Safe Act. The federal definition refers to a person who takes a mortgage application *and* offers or negotiates the term for compensation or gain. In Virginia, the definition refers to a person who takes a mortgage application *or* refers offers or negotiates the term.
    - The difference is between “or” in Virginia definition and “and” in the federal definition.
    - Virginia also makes no reference to compensation or gain.

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DELEGATE DAVID L. BULOVA  
DELEGATE JOHN A. COSGROVE  
DELEGATE ROSALYN R. DANCE  
DELEGATE DANIEL W. MARSHALL, III  
DELEGATE G. GLENN ODER

SENATOR MAMIE E. LOCKE  
SENATOR JOHN C. WATKINS  
SENATOR MARY MARGARET WHIPPLE

F. GARY GARCZYNSKI  
T. K. SOMANATH  
MELANIE S. THOMPSON

- It is HUD's intention to license everyone. However, HUD received many comments that it should reconsider proposed position because of a concern for unintended consequence to consumers.
- Unsure if at this time HUD will issue a ruling on the matter.
- HUD recently issued a FAQ that if state chooses not to license category of MLO because of a lack of specificities then the state may do so.
- The Virginia Housing and Development Authority (VHDA), Department of Housing and Community Development (DHCD), and Housing Opportunities Made Equal (HOME), have been meeting with staff to address the situation.
  - The SCC received a request for guidance on two specific programs, neighborhood stabilization and the down payment assistance program.
  - The assistance provided to homeowners through these programs is a grant not a loan. The grant is secured against the property during the time the purchaser resides in the home.
  - The grant comes with certain conditions and is only repaid if these conditions are not met.
- If the decision is made to amend the definition of MLO, the SCC will provide technical assistance, but will not take a position on the legislation.
- **Senator Locke**— *For what reason would an application be denied?*
  - Under the Safe Act and under the Virginia Code, an applicant must not have had a felony conviction, be financially responsible, pass a national and state test, in addition to a number of other requirements.
- **Bill Shelton, Director, DHCD**
  - There is an issue with whether or not a homeowner counselor must be licensed. Counselors do call and ask for new terms on mortgages.
  - The definition of MLO should be narrowed to people who have received specific designations. Is a person an MLO even if they are counseling someone on existing mortgage, not on a new mortgage?
  - The licensing requirement is appropriate and needed, should apply equally to people doing any like activity such as non-profits. We do need relief as to what constitutes mortgage loan.
  - **Delegate Oder**—*Legislative proposals need to be investigated. The work group should meet before our next meeting.*
  - **Senator Locke**—*Delegate Marshall's work group will address this issue and will establish a time for the work group to meet again.*
  - **Senator Whipple**—*Is there any evidence of fraud?*
    - We have no specific examples but have heard stories anecdotally.
    - **Susan Hancock**—*I don't think fraud has impacted Virginia as much as it has other states. The greatest impact is one those states with a judicial foreclosure process,*
  - **Senator Whipple**—*Do you feel like Virginia consumers are protected from this and that homes are being properly foreclosed?*
    - We have not had that problem because we issue our own loans.
  - **Connie Chamberlin, HOME**
    - This specific problem doesn't happen in Virginia. There are many problems with the process though and there is room for improvement.

- Trustees have responsibility to the borrower and owner of note. Some foreclose as quickly as possible.
- **Joseph Face, SCC**
  - Our responsibilities is in the making of the loan as opposed to the servicing and the foreclosure. However, we are following this problem.

### III. Housing Market Trends

- **John McClain, Deputy Director, Center for Regional Analysis**
- A presentation was made (see Attachment A) that showed recession recovery patterns. Studies were based on U.S. coincident and leading indices, unemployment rates, consumer confidence and other factors that effect housing trends or new and existing homes.
- **T.K. Somanath, Better Housing Coalition—*In the last slide the residential line dropped off in 2015 substantially, is there a reason?***
  - In 2011, '12, '13 there is a lot of growth and in 2015 it drops back down to normal.

### IV. A Window into the Rural Housing Market

- **Byron W. Waters, Rural Housing Programs Director, Rural Development Virginia State Office**
- A presentation was made (see Attachment B) that showed how the Rural Housing Program operates. The eligibility criteria to receive a Section 502 Direct Loan was discussed. Criteria include, acceptable credit, stable and dependable income, do not currently own adequate housing, amongst others.
- **Delegate Cosgrove—*Is Suffolk considered a rural area?***
  - No, Suffolk is an incorporated area with a population of greater than 20,000.
- **Delegate Oder—*If no money is put down and the market continues to slide, couldn't you end up with an upside-down mortgage?***
  - Yes, but that is one of the risks that is taken.
  - No, Suffolk is an incorporated area with a population of greater than 20,000.
- **Delegate Oder—*Do the houses have to be new, or can they be preexisting?***
  - Probably most of the houses are existing homes, but we will not use an existing manufactured home even if it has been put on a permanent foundation.
- **Delegate Oder—*Have you experienced any problems with new homes having Chinese drywall?***
  - No, we have yet to encounter Chinese drywall in our new homes.

### V. Public Comment

- **Delegate Oder—**Concerning HB 812, we asked the speaker to the bill to the Common Interest Community work group, but the patron did not respond initially. Since then, the patron has informed me that they intend to put the bill back in this coming year. It is important for the patron to receive a letter asking her to present this bill so we will have something on the record before it comes to the committee again.

### VI. Adjourn

- The meeting was adjourned at 2:34 P.M.