2023 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1068

2023 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Room JW327C, State Capitol

HB 1068
1/4/2023

Relating to residential mortgage loan servicers; and to provide a penalty.

Chairman Louser called the meeting to order 3:07 PM

Members Present: Chairman Louser, Vice Chairman Ostlie, Representatives Boschee, Dakane, Johnson, Kasper, Koppelman, Ruby, Schauer, Thomas, Tveit, Wagner, Warrey. Member absent: Representative Christy

Discussion Topics:
- Compare fees
- Non-bank entities

In favor:
Lise Kruse, Commissioner ND Department of Financial Institutions #12292

Chairman Louser adjourned the meeting at 3:41 PM

Diane Lillis, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Room JW327C, State Capitol

HB 1068
1/10/2023

Relating to residential mortgage loan servicers; and to provide a penalty.

Chairman Louser opened the meeting at 2:52 PM

Members Present: Chairman Louser, Vice Chairman Ostlie, Representative Boschee, Christy, Dakane, Johnson, Kasper, Koppelman, Ruby, Schauer, Thomas, Tveit, Wagner, Warrey.

Discussion Topics:
- Mortgage services
- Self-regulating

Representative Ruby moved a do pass.
Representative Dakane seconded.

Roll call vote:

Representatives	Vote
Representative Scott Louser	Y
Representative Mitch Ostlie	Y
Representative Josh Boschee	Y
Representative Josh Christy	Y
Representative Hamida Dakane	Y
Representative Jorin Johnson	Y
Representative Jim Kasper	Y
Representative Ben Koppelman	Y
Representative Dan Ruby	Y
Representative Austen Schauer	Y
Representative Paul J. Thomas	Y
Representative Bill Tveit	Y
Representative Scott Wagner	Y
Representative Jonathan Warrey	y

Motion passed, 14-0-0

Representative Ruby will carry the bill.

Chairman Louser adjourned the meeting at 3:41 PM

Diane Lillis, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1068: Industry, Business and Labor Committee (Rep. Louser, Chairman) recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1068 was placed on the Eleventh order on the calendar.

2023 HOUSE APPROPRIATIONS

HB 1068

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Brynhild Haugland Room, State Capitol

HB 1068
1/26/2023

Relating to residential mortgage loan servicers; and to provide a penalty.

10:44 AM Chairman Vigesaa- Meeting was called to order and roll call was taken:

Members present; Chairman Vigesaa, Representative Kempenich, Representative B. Anderson, Representative Bellew, Representative Brandenburg, Representative Kreidt, Representative Martinson, Representative Mitskog, Representative Meier, Representative Mock, Representative Monson, Representative Nathe, Representative J. Nelson, Representative O'Brien, Representative Pyle, Representative Richter, Representative Sanford, Representative Schatz, Representative Schobinger, Representative Strinden, Representative J. Stemen and Representative Swiontek.

Members not Present: Representative Hanson

Discussion Topics:
- Special Funds
- 2 FTEs

Representative Louser- Introduces HB 1068

Representative Kempenich- Move for a Do Pass

Representative Mock Second the motion

Roll Call Vote was taken:

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	A
Representative Mike Brandenburg	Y
Representative Karla Rose Hanson	A
Representative Gary Kreidt	A
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y
Representative Mike Nathe	A
Representative Jon O. Nelson	Y

Representative Emily O'Brien	Y
Representative Brandy Pyle	A
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	Y
Representative Randy A. Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	Y
Representative Steve Swiontek	Y

Motion Carries 18-0-5 Representative Fisher

Additional written testimony: Lise Kruse, Commissioner of ND Dept. of Financial Institute #16908

Chairman Vigesaa Closed the meeting for HB 1068 at 10:50 AM

Risa Berube, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1068: Appropriations Committee (Rep. Vigesaa, Chairman) recommends **DO PASS** (18 YEAS, 0 NAYS, 5 ABSENT AND NOT VOTING). HB 1068 was placed on the Eleventh order on the calendar.

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Brynhild Haugland Room, State Capitol

HB 1068
2/1/2023

BILL for an Act to create and enact chapter 13-13 of the North Dakota Century Code, relating to residential mortgage loan servicers; and to provide a penalty

8:44 AM Chairman Vigesaa Called the meeting to order, roll call was taken:

Members present; Chairman Vigesaa, Representative Kempenich, Representative B. Anderson, Representative Bellew, Representative Brandenburg, Representative Hanson, Representative Kreidt, Representative Martinson, Representative Mitskog, Representative Meier, Representative Mock, Representative Monson, Representative Nathe, Representative J. Nelson, Representative O'Brien, Representative Pyle, Representative Richter, Representative Sanford, Representative Schatz, Representative Schobinger, Representative Strinden, Representative J. Stemen and Representative Swiontek.

Discussion Topics:
- Reconsider Action

Chairman Vigesaa- Asked to reconsider the past action.

Representative Kreidt Move to reconsider.

Representative Nathe- Seconds the motion.

Roll Call Vote was Taken:

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	Y
Representative Mike Brandenburg	Y
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y

Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	Y
Representative Randy A. Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	Y
Representative Steve Swiontek	Y

Motion Carries 23-0-0 Bill will be sent to Government Ops Committee for work.

Chairman Vigesaa Closes the meeting for HB 1068 at 8:52 AM

Risa Berube, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division
Brynhild Haugland Room, State Capitol

HB 1068
2/9/2023

BILL for an Act to create and enact chapter 13-13 of the North Dakota Century Code, relating to residential mortgage loan servicers; and to provide a penalty

10:31 AM Chairman Monson called the meeting to order.

Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Bellew, Rep. Kempenich, Rep. Meier, Rep. Pyle, Rep. Mock

Discussion Topics:
- Enforcement tools
- FTE for mortgage loans
- Accreditation standards for online lenders

Chairman Monson and committee members discussed al the foreseeable options for the bill.

Rep Brandeberg moved to amend by reducing FTE's to one from two and including $225,000 for salary and benefits 23.8088.01001 (#20376).

Rep Mock seconded.

Roll Call Vote:

Representatives	Vote
Representative David Monson	Y
Representative Mike Brandenburg	Y
Representative Larry Bellew	N
Representative Keith Kempenich	Y
Representative Lisa Meier	N
Representative Corey Mock	Y
Representative Brandy Pyle	Y

Motion carries 5-2-0.

Rep Mock moved do pass as amended.

Rep Brandenburg seconded.

Roll Call Vote:

Representatives	Vote
Representative David Monson	Y
Representative Mike Brandenburg	Y
Representative Larry Bellew	N
Representative Keith Kempenich	Y
Representative Lisa Meier	N
Representative Corey Mock	Y
Representative Brandy Pyle	N

Motion carries 5-2-0. Representative Mock will carry the bill.

10:57 AM **Chairman Monson** closed the meeting.

Amy Liepke, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Brynhild Haugland Room, State Capitol

HB 1068
2/15/2023

Relating to residential mortgage loan servicers; and to provide a penalty.

12:05 PM Chairman Vigesaa- Meeting was called to order and roll call was taken:

Members present; Chairman Vigesaa, Representative Kempenich, Representative B. Anderson, Representative Brandenburg, Representative Hanson, Representative Kreidt, Representative Martinson, Representative Mitskog, Representative Meier, Representative Mock, Representative Monson, Representative Nathe, Representative J. Nelson, Representative O'Brien, Representative Pyle, Representative Richter, Representative Sanford, Representative Schatz, Representative Schobinger, Representative Strinden, Representative G. Stemen and Representative Swiontek.

Members not Present Representative Bellew

Discussion Topics:
- Amendment

Representative Mock- Gives explanation for amendment 23.8088.01001 (Testimony #20908)

Representative Mock -Move to adopt amendment 23.8088.01001 (Testimony #20908).

Representative Monson – Seconds the Motion

Committee discussion- Roll call vote

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	A
Representative Mike Brandenburg	Y
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	N
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y

Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	Y
Representative Randy A. Schobinger	Y
Representative Greg Stemen	A
Representative Michelle Strinden	Y
Representative Steve Swiontek	Y

Motion Carries 20-1-2

Representative Mock Move for a Do Pass as Amended

Representative Monson Seconds the Motion

Committee Discussion- Roll call vote

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	A
Representative Mike Brandenburg	Y
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	N
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	Y
Representative Randy A. Schobinger	Y
Representative Greg Stemen	A
Representative Michelle Strinden	Y
Representative Steve Swiontek	Y

Motion Carries 20-1-2 Representative Mock will carry the bill.

Chairman Vigesaa Closed the meeting for HB 1068 12:12 PM

Risa Berube, Committee Clerk

23.8088.01001
Title.02000

Prepared by the Legislative Council staff for the House Appropriations - Government Operations Division Committee
February 15, 2023

1/R
1/1
2-15-23

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1068

Page 1, line 2, remove "and"

Page 1, line 2, after "penalty" insert "; and to provide an appropriation"

Page 22, after line 3, insert:

"**SECTION 2. APPROPRIATION - DEPARTMENT OF FINANCIAL INSTITUTIONS - AUTHORIZATION - FULL-TIME EQUIVALENT POSITION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from licensing and examination fees, to the department of financial institutions for the purpose of administering and enforcing laws, rules, and regulations relating to residential mortgage loan servicers, for the biennium beginning July 1, 2023, and ending June 30, 2025.

Salaries and wages	$200,000
Operating expenses	25,000
Total special funds	$225,000
Full-time equivalent positions	1.00"

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1068: Appropriations Committee (Rep. Vigesaa, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (20 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). HB 1068 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "and"

Page 1, line 2, after "penalty" insert "; and to provide an appropriation"

Page 22, after line 3, insert:

"**SECTION 2. APPROPRIATION - DEPARTMENT OF FINANCIAL INSTITUTIONS - AUTHORIZATION - FULL-TIME EQUIVALENT POSITION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from licensing and examination fees, to the department of financial institutions for the purpose of administering and enforcing laws, rules, and regulations relating to residential mortgage loan servicers, for the biennium beginning July 1, 2023, and ending June 30, 2025.

Salaries and wages	$200,000
Operating expenses	25,000
Total special funds	$225,000
Full-time equivalent positions	1.00"

Renumber accordingly

2023 SENATE INDUSTRY AND BUSINESS

HB 1068

2023 SENATE STANDING COMMITTEE MINUTES

Industry and Business Committee
Fort Union Room, State Capitol

HB 1068
3/1/2023

A bill relating to residential mortgage loan servicers; to provide a penalty; and to provide an appropriation.

1:00 PM Chairman D. Larsen opened the meeting.

Members present: Chairman D. Larsen, Vice Chairman Kessel, Senator Barta, Senator Klein. Members absent: Senator Boehm.

Discussion Topics:
- Mortgage loan servicers
- Loan originators
- Lender vs servicer
- Delinquent borrower
- Customer care and protection
- Fiscal note

1:01 PM Lise Kruse, Commissioner, North Dakota Department of Financial Institutions, introduced HB 1068 and testified in favor. # 21279.

1:21 PM Rick Clayburg, President and CEO of the North Dakota Bankers Association, testified in favor of HB 1068. No written testimony.

1:24 PM Chairman C. Larsen closed the hearing on HB 1068.

Brenda Cook, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Industry and Business Committee
Fort Union Room, State Capitol

HB 1068
3/1/2023

A bill relating to residential mortgage loan servicers; to provide a penalty; and to provide an appropriation.

3:07 PM Chairman D. Larsen opened the Committee work on HB 1068. Members present: Chairman D. Larsen, Vice Chairman Kessel, Senator Barta, Senator Klein. Members absent: Senator Boehm.

Discussion Topics:
- Committee action

3:07 PM Senator Klein moved to DO PASS HB 1068 and rerefer to Appropriations. Senator Barta seconded the motion.

Roll call vote:

Senators	Vote
Senator Doug Larsen	Y
Senator Greg Kessel	Y
Senator Jeff Barta	Y
Senator Keith Boehm	A
Senator Jerry Klein	Y

Vote: 4-0-1 DO PASS HB 1068

Senator Barta will carry the bill.

3:12 PM Chairman Larsen closed the meeting.

Brenda Cook, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1068: Industry and Business Committee (Sen. Larsen, Chairman) recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (4 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1068 was rereferred to the **Appropriations Committee**. This bill does not affect workforce development.

2023 SENATE APPROPRIATIONS

HB 1068

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1068
3/15/2023

A BILL for an Act relating to residential mortgage loan servicers; to provide a penalty; and to provide an appropriation.

10:32 AM Chairman Bekkedahl opened the hearing on HB 1068.

Members present: Senators Bekkedahl, Krebsbach, Burckhard, Dever, Dwyer, Erbele, Meyer, Schaible, Sorvaag, Vedaa, Wanzek, Rust, and Mathern.

Members absent: Senators Roers, Davison, and Kreun.

Discussion Topics:
- Department of Financial Institutions
- Mortgage Loan Servicers
- Non-bank loan servicers
- State oversight

10:34 AM Lisa Kruse, Commissioner Department of Financial Institutions, introduced the bill, testified in favor, testimony # 24878

Chairman Bekkedahl assigned this bill to the Government Opeerations Division.

10:52 AM Chairman Bekkedahl closed the hearing.

Kathleen Hall, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division
Red River Room, State Capitol

HB 1068
3/15/2023

A bill for an act to create and enact chapter 13-13 of the North Dakota Century Code, relating to residential mortgage loan servicers; to provide a penalty; and to provide an appropriation.

3:44 PM Chairman Wanzek called the meeting to order.
Senators Wanzek, Erbele, Roers, and Dwyer are present. Senator Vedaa is absent.

Discussion Topics:
- Policy components
- Full time employee request

3:45 PM Senator Dwyer moved a recommendation of Do Pass for HB 1068.
Senator Roers seconded the motion.
(The vote was held open for Senator Vedaa.)

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jim P. Roers	Y
Senator Shawn Vedaa	Y

Motion pass 5-0-0

3:47 PM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division
Red River Room, State Capitol

HB 1068
3/21/2023

A bill for an act relating to residential mortgage loan servicers; to provide a penalty; and to provide an appropriation.

10:25 AM Chairman Wanzek called the meeting to order.
Senators Wanzek, Erbele, Roers, Dwyer, and Vedaa were present.

Discussion Topics:
- Previous committee action
- HB 1008 vs HB 1068 possible amendments

10:26 AM Sen. Dwyer opens discussion on how HB 1068 is impacted by HB 1008 and possible amendments.

10:28 AM Adam Mathiak, LC Senior Fiscal Analyst, clarifies that the committee previously moved the bill with a do pass recommendation without any amendments.

10:35 AM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1068
3/30/2023

A BILL for an act relating to residential mortgage loan servicers; to provide a penalty; and to provide an appropriation.

4:10 PM Vice Chairman Krebsbach opened the hearing on HB 1068.

Members present: Senators Bekkedahl, Krebsbach, Burckhard, Davison, Dever, Dwyer, Erbele, Kreun, Meyer, Roers, Schaible, Sorvaag, Vedaa, Wanzek, Rust, and Mathern.

Discussion Topics:
- Residential loan servers
- Committee work

4:10 AM Senator Roers introduced the bill, no written testimony

4:12 PM Senator Roers moved DO PASS.
Senator Dwyer seconded the motion

Senators	Vote
Senator Brad Bekkedahl	Y
Senator Karen K. Krebsbach	Y
Senator Randy A. Burckhard	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Curt Kreun	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Jim P. Roers	Y
Senator David S. Rust	Y
Senator Donald Schaible	Y
Senator Ronald Sorvaag	Y
Senator Shawn Vedaa	Y
Senator Terry M. Wanzek	Y

Motion passed 16-0-0.

Senator Barta will carry the bill.

4:19 PM Vice Chairman Krebsbach closed the hearing.

Kathleen Hall, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1068, as engrossed: Appropriations Committee (Sen. Bekkedahl, Chairman) recommends **DO PASS** (16 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1068 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.

TESTIMONY

HB 1068

North Dakota | Financial Institutions
Be Legendary.™

MEMORANDUM

DATE: January 4, 2023

TO: House Industry, Business and Labor Committee

FROM: Lise Kruse, Commissioner

SUBJECT: Testimony in Support of House Bill No. 1068

Chairman Louser and members of the House Industry, Business and Labor Committee, thank you for the opportunity to testify in support of House Bill No. 1068.

Mr. Chairman and members of the Committee, House Bill 1068 creates and enacts a new Chapter 13-13 of the North Dakota Century Code relating to residential mortgage loan servicers.

The Department of Financial Institutions is tasked with the oversight of banks, credit unions and several nonbank entities that provide financial services in North Dakota. The non-depository institutions include trust companies, collection agencies, payday lenders, money transmitters, debt settlement service providers, and all nonbank lenders (money brokers), and mortgage loan originators. The typical structure for residential mortgages includes a lender who originates the loan and a servicer who services the loan. Companies may originate loans, service loans, or both. In North Dakota only the loan originators are required to have a license. This Bill would also require servicers to be licensed.

A servicer is the company responsible for the administration of the loan beginning after the loan closing and sale of the loan to the final owner, and continuing until the loan is paid off. A servicer is responsible for collecting borrower payments including principal, interest, taxes, and insurance, then remitting or forwarding those payments to investors, taxing authorities or insurance providers. If a borrower is delinquent on payments, the responsibility falls to the servicer to do everything it can to collect the payment and any late fees or penalties authorized under the original loan contract. Servicers are responsible for managing loss mitigation and borrower forbearance of payments and initiating foreclosure proceedings when a borrower reaches a certain stage of delinquency. Servicers also manage a variety of administrative responsibilities including accounting, record keeping, investor reporting and advancing unpaid amounts to investors, taxing authorities and insurance providers.

Since the financial crisis in 2007 to 2009, mortgage lending has shifted from banks and credit unions to nonbanks. The Wall Street Journal reported in June of 2021 that nonbanks issued 68% of all mortgages in the U.S. in 2020, and seven of the 10 largest mortgage lenders were non-banks. Similarly, nonbank mortgage servicing has grown from 6% to 60% of the government agency mortgage market in the last 10 years, and about 45% of the $11 trillion single-family residential mortgage market is serviced by nonbank servicers. Bank mortgage servicers are regulated by federal law; the nonbank servicers who now dominate the industry are primarily overseen by states as established in state law. Although the Consumer Financial Protection Bureau (CFPB) is a limited regulator of nonbank mortgage servicers, the agency enforces consumer compliance but has not established standards pertaining to the financial condition of nonbank mortgage servicers. State governments are currently the only option for comprehensive oversight for nonbank mortgage servicers, meaning we are the entity with ability to license, as well as examine, investigate, and enforce compliance with consumer protection regulations, as well as financial condition and corporate governance requirements. As such, states are the “primary” and “prudential” regulator of nonbank mortgage servicers.

Due to the significant market share and certain servicers being large companies operating nationwide, these entities have a significant impact on the overall U.S. economy. A bank servicer has a consistent funding source through deposits and other financial services income provided by the bank. A nonbank servicer's funding comes from investors and bank loans. This can be problematic if there is pressure on liquidity. If borrowers are unable to make their mortgage payments and go into default, the servicers are still required to meet their financial commitments, and they have no other source of funds. The domino effect in our economy can have detrimental impacts. Added to this concern, there has been no uniform standards establishing minimum capital requirements, liquidity maintenance, or corporate governance for mortgage servicers. States have recognized this issue and have coordinated to issue prudential standards for nonbank mortgage servicers. These prudential standards were approved by my state counterparts, with input from the mortgage servicer industry. The standards apply to larger and more complex servicers and cover capital, liquidity, and corporate governance expectations. This Bill adopts these prudential standards for large mortgage servicers.

Rapid industry growth means nonbank mortgage servicers are responsible for a greater share of consumer care and protection. Sound financial condition and safe management practices are essential to performing compliance and consumer protection obligations, yet some nonbank mortgage servicers are historically thinly capitalized with insufficient nonborrowed liquid capacity. Additionally, significant failings at the institutional level in corporate governance and board oversight have occurred as well as documentation problems leading to wrongful foreclosures, accounting problems leading to unreconciled escrow accounts, lost or misappropriated consumer funds or incorrectly assessed fees. Further, when a servicer fails, loan transfers to a stable servicer are not a simple undertaking. In a best-case scenario, transactions may be suspended as loans are boarded and issues are sorted through. In a worst-case scenario, documents are lost, funds are misapplied or misplaced, interrupted payments cause derogatory reports on consumer's records, or other consumer harm results.

The nonbank mortgage servicing industry is diverse, ranging from small firms with straightforward operations to large, complex institutions and asset managers with multiple business lines. By employing a de minimis coverage trigger and existing standards or generally accepted business practices, the prudential standards minimize regulatory burden for small, less complex servicing firms while establishing uniformity and standardization for the industry. In the definitions on page 2 of the Bill we use “large servicer” to identify the entities the prudential standards apply to. These are the ones with portfolios of 2,000 or more residential mortgage loans serviced or subserviced for others and operating in two or more states.

If a mortgage servicer was to have difficulties making its commitments on behalf of borrowers, North Dakota currently has no requirements to enforce, nor do we have a “seat at the table” to represent our North Dakota homeowners. The majority of states, including our surrounding states, now oversee this important industry. Due to these entities’ importance in the economy and the impact they have on homeowners, there is a need for consistent standards addressing how these companies operate and service loans to North Dakota residents. State oversight of this important industry can only work if states are engaged. A state’s failure to properly oversee the mortgage servicing industry with reasonable prudential standards encourages federal regulators such as the CFPB to step in and preempt the state’s right to oversee businesses at the state level. Therefore, when our Department goes through our national accreditation, which provides us with credibility and ensures we meet minimum industry standards, we have been criticized for our inability to oversee mortgage servicers. The Department believes that the state of North Dakota is better positioned to oversee mortgage services and is better positioned to understand North Dakota homeowners than is the federal government. This Bill will help limit the risk of federal preemption.

This Bill includes a fiscal note, which includes the addition of two FTEs. The total fiscal amount is $463,000, which covers salaries and benefits, examination travel, examiner training, and related NDIT costs. This will allow for licensing, examinations, and oversight of mortgage servicers. Due to the size of these entities, we network with other state regulators to minimize the burden on the companies. Therefore, examinations are typically done in conjunction with our other state counterparts to also better leverage resources. Due to the specific nature of these companies, additional FTEs are requested since examinations take considerable resources of time to complete. Adding supervisory authority without the resources to execute the law gives a false indication of consumer protection, which is why additional resources are necessary. It is important to note that our Department is completely self-funded, and the additional resources required will be funded by licensing and examination fees.

Mr. Chairman, thank you for the opportunity to provide this testimony. I would be happy to answer any questions the Committee may have.

North Dakota | Financial Institutions
Be Legendary.™

MEMORANDUM

DATE: January 26, 2023

TO: House Appropriations Committee

FROM: Lise Kruse, Commissioner

SUBJECT: Testimony in Support of House Bill No. 1068 –

As presented to the House Industry, Business and Labor Committee on January 4, 2023.

Mr. Chairman and members of the Committee, House Bill 1068 creates and enacts a new Chapter 13-13 of the North Dakota Century Code relating to residential mortgage loan servicers.

The Department of Financial Institutions is tasked with the oversight of banks, credit unions and several nonbank entities that provide financial services in North Dakota. The non-depository institutions include trust companies, collection agencies, payday lenders, money transmitters, debt settlement service providers, and all nonbank lenders (money brokers), and mortgage loan originators. The typical structure for residential mortgages includes a lender who originates the loan and a servicer who services the loan. Companies may originate loans, service loans, or both. In North Dakota only the loan originators are required to have a license. This Bill would also require servicers to be licensed.

A servicer is the company responsible for the administration of the loan beginning after the loan closing and sale of the loan to the final owner, and continuing until the loan is paid off. A servicer is responsible for collecting borrower payments including principal, interest, taxes, and insurance, then remitting or forwarding those payments to investors, taxing authorities or insurance providers. If a borrower is delinquent on payments, the responsibility falls to the servicer to do everything it can to collect the payment and any late fees or penalties authorized under the original loan contract. Servicers are responsible for managing loss mitigation and borrower forbearance of payments and initiating foreclosure proceedings when a borrower reaches a certain stage of delinquency. Servicers also manage a variety of administrative responsibilities including accounting, record keeping, investor reporting and advancing unpaid amounts to investors, taxing authorities and insurance providers.

Since the financial crisis in 2007 to 2009, mortgage lending has shifted from banks and credit unions to nonbanks. The Wall Street Journal reported in June of 2021 that nonbanks issued 68% of all mortgages in the U.S. in 2020, and seven of the 10 largest mortgage lenders were non-banks. Similarly, nonbank mortgage servicing has grown from 6% to 60% of the government agency mortgage market in the last 10 years, and about 45% of the $11 trillion single-family residential mortgage market is serviced by nonbank servicers. Bank mortgage servicers are regulated by federal law; the nonbank servicers who now dominate the industry are primarily overseen by states as established in state law. Although the Consumer Financial Protection Bureau (CFPB) is a limited regulator of nonbank mortgage servicers, the agency enforces consumer compliance but has not established standards pertaining to the financial condition of nonbank mortgage servicers. State governments are currently the only option for comprehensive oversight for nonbank mortgage servicers, meaning we are the entity with ability to license, as well as examine, investigate, and enforce compliance with consumer protection regulations, as well as financial condition and corporate governance requirements. As such, states are the “primary” and “prudential” regulator of nonbank mortgage servicers.

Due to the significant market share and certain servicers being large companies operating nationwide, these entities have a significant impact on the overall U.S. economy. A bank servicer has a consistent funding source through deposits and other financial services income provided by the bank. A nonbank servicer's funding comes from investors and bank loans. This can be problematic if there is pressure on liquidity. If borrowers are unable to make their mortgage payments and go into default, the servicers are still required to meet their financial commitments, and they have no other source of funds. The domino effect in our economy can have detrimental impacts. Added to this concern, there has been no uniform standards establishing minimum capital requirements, liquidity maintenance, or corporate governance for mortgage servicers. States have recognized this issue and have coordinated to issue prudential standards for nonbank mortgage servicers. These prudential standards were approved by my state counterparts, with input from the mortgage servicer industry. The standards apply to larger and more complex servicers and cover capital, liquidity, and corporate governance expectations. This Bill adopts these prudential standards for large mortgage servicers.

Rapid industry growth means nonbank mortgage servicers are responsible for a greater share of consumer care and protection. Sound financial condition and safe management practices are essential to performing compliance and consumer protection obligations, yet some nonbank mortgage servicers are historically thinly capitalized with insufficient nonborrowed liquid capacity. Additionally, significant failings at the institutional level in corporate governance and board oversight have occurred as well as documentation problems leading to wrongful foreclosures, accounting problems leading to unreconciled escrow accounts, lost or misappropriated consumer funds or incorrectly assessed fees. Further, when a servicer fails, loan transfers to a stable servicer are not a simple undertaking. In a best-case scenario, transactions may be suspended as loans are boarded and issues are sorted through. In a worst-case scenario, documents are lost, funds are misapplied or misplaced, interrupted payments cause derogatory reports on consumer's records, or other consumer harm results.

The nonbank mortgage servicing industry is diverse, ranging from small firms with straightforward operations to large, complex institutions and asset managers with multiple business lines. By employing a de minimis coverage trigger and existing standards or generally accepted business practices, the prudential standards minimize regulatory burden for small, less complex servicing firms while establishing uniformity and standardization for the industry. In the definitions on page 2 of the Bill we use "large servicer" to identify the entities the prudential standards apply to. These are the ones with portfolios of 2,000 or more residential mortgage loans serviced or subserviced for others and operating in two or more states.

If a mortgage servicer was to have difficulties making its commitments on behalf of borrowers, North Dakota currently has no requirements to enforce, nor do we have a "seat at the table" to represent our North Dakota homeowners. The majority of states, including our surrounding states, now oversee this important industry. Due to these entities' importance in the economy and the impact they have on homeowners, there is a need for consistent standards addressing how these companies operate and service loans to North Dakota residents. State oversight of this important industry can only work if states are engaged. A state's failure to properly oversee the mortgage servicing industry with reasonable prudential standards encourages federal regulators such as the CFPB to step in and preempt the state's right to oversee businesses at the state level. Therefore, when our Department goes through our national accreditation, which provides us with credibility and ensures we meet minimum industry standards, we have been criticized for our inability to oversee mortgage servicers. The Department believes that the state of North Dakota is better positioned to oversee mortgage servicers and is better positioned to understand North Dakota homeowners than is the federal government. This Bill will help limit the risk of federal preemption.

This Bill includes a fiscal note, which includes the addition of two FTEs. The total fiscal amount is $463,000, which covers salaries and benefits, examination travel, examiner training, and related NDIT costs. This will allow for licensing, examinations, and oversight of mortgage servicers. Due to the size of these entities, we network with other state regulators to minimize the burden on the companies. Therefore, examinations are typically done in conjunction with our other state counterparts to also better leverage resources. Due to the specific nature of these companies, additional FTEs are requested since examinations take considerable resources of time to complete. Adding supervisory authority without the resources to execute the law gives a false indication of consumer protection, which is why additional resources are necessary. It is important to note that our Department is completely self-funded, and the additional resources required will be funded by licensing and examination fees.

Mr. Chairman, thank you for the opportunity to provide this testimony. I would be happy to answer any questions the Committee may have.

23.8088.01001
Title.

Prepared by the Legislative Council staff for the House Appropriations - Government Operations Division Committee
February 9, 2023

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1068

Page 22, after line 3, insert:

"**SECTION 2. APPROPRIATION - DEPARTMENT OF FINANCIAL INSTITUTIONS - AUTHORIZATION - FULL-TIME EQUIVALENT POSITION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from licensing and examination fees, to the department of financial institutions for the purpose of administering and enforcing laws, rules, and regulations relating to residential mortgage loan servicers, for the biennium beginning July 1, 2023, and ending June 30, 2025.

Salaries and wages	$200,000
Operating expenses	25,000
Total special funds	$225,000
Full-time equivalent positions	1.00"

Renumber accordingly

23.8088.01001
Title.

Prepared by the Legislative Council staff for the House Appropriations - Government Operations Division Committee
February 9, 2023

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1068

Page 22, after line 3, insert:

"**SECTION 2. APPROPRIATION - DEPARTMENT OF FINANCIAL INSTITUTIONS - AUTHORIZATION - FULL-TIME EQUIVALENT POSITION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from licensing and examination fees, to the department of financial institutions for the purpose of administering and enforcing laws, rules, and regulations relating to residential mortgage loan servicers, for the biennium beginning July 1, 2023, and ending June 30, 2025.

Salaries and wages	$200,000
Operating expenses	25,000
Total special funds	$225,000
Full-time equivalent positions	1.00"

Renumber accordingly

NORTH Dakota | Financial Institutions
Be Legendary.™

MEMORANDUM

DATE: March 1, 2023

TO: Senate Industry and Business

FROM: Lise Kruse, Commissioner

SUBJECT: Testimony in Support of House Bill No. 1068

Chairman Larsen and members of the Senate Industry and Business Committee, thank you for the opportunity to testify in support of House Bill No. 1068. House Bill 1068 creates and enacts a new Chapter 13-13 of the North Dakota Century Code relating to residential mortgage loan servicers.

The Department of Financial Institutions is tasked with the oversight of banks, credit unions and several nonbank entities that provide financial services in North Dakota. The non-depository institutions include trust companies, collection agencies, payday lenders, money transmitters, debt settlement service providers, and all nonbank lenders (money brokers), and mortgage loan originators. The typical structure for residential mortgages includes a lender who originates the loan and a servicer who services the loan. Companies may originate loans, service loans, or both. In North Dakota only the loan originators are required to have a license. This Bill would also require servicers to be licensed.

A servicer is the company responsible for the administration of the loan beginning after the loan closing and sale of the loan to the final owner, and continuing until the loan is paid off. A servicer is responsible for collecting borrower payments including principal, interest, taxes, and insurance, then remitting or forwarding those payments to investors, taxing authorities or insurance providers. If a borrower is delinquent on payments, the responsibility falls to the servicer to do everything it can to collect the payment and any late fees or penalties authorized under the original loan contract. Servicers are responsible for managing loss mitigation and borrower forbearance of payments and initiating foreclosure proceedings when a borrower reaches a certain stage of delinquency. Servicers also manage a variety of administrative responsibilities including accounting, record keeping, investor reporting and advancing unpaid amounts to investors, taxing authorities and insurance providers.

Since the financial crisis in 2007 to 2009, mortgage lending has shifted from banks and credit unions to nonbanks. The Wall Street Journal reported in June of 2021 that nonbanks issued 68% of all mortgages in the U.S. in

2020, and seven of the 10 largest mortgage lenders were non-banks. Similarly, nonbank mortgage servicing has grown from 6% to 60% of the government agency mortgage market in the last 10 years, and about 45% of the $11 trillion single-family residential mortgage market is serviced by nonbank servicers. Bank mortgage servicers are regulated by federal law; the nonbank servicers who now dominate the industry are primarily overseen by states as established in state law. Although the Consumer Financial Protection Bureau (CFPB) is a limited regulator of nonbank mortgage servicers, the agency enforces consumer compliance but has not established standards pertaining to the financial condition of nonbank mortgage servicers. State governments are currently the only option for comprehensive oversight for nonbank mortgage servicers, meaning we are the entity with ability to license, as well as examine, investigate, and enforce compliance with consumer protection regulations, as well as financial condition and corporate governance requirements. As such, states are the "primary" and "prudential" regulator of nonbank mortgage servicers.

Due to the significant market share and certain servicers being large companies operating nationwide, these entities have a significant impact on the overall U.S. economy. A bank servicer has a consistent funding source through deposits and other financial services income provided by the bank.

A nonbank servicer's funding comes from investors and bank loans. This can be problematic if there is pressure on liquidity. If borrowers are unable to make their mortgage payments and go into default, the servicers are still required to meet their financial commitments, and they have no other source of funds. The domino effect in our economy can have detrimental impacts. Added to this concern, there has been no uniform standards establishing minimum capital requirements, liquidity maintenance, or corporate governance for mortgage servicers. States have recognized this issue and have coordinated to issue prudential standards for nonbank mortgage servicers. These prudential standards were approved by my state counterparts, with input from the mortgage servicer industry. The standards apply to larger and more complex servicers and cover capital, liquidity, and corporate governance expectations. This Bill adopts these prudential standards for large mortgage servicers.

Rapid industry growth means nonbank mortgage servicers are responsible for a greater share of consumer care and protection. Sound financial condition and safe management practices are essential to performing compliance and consumer protection obligations, yet some nonbank mortgage servicers are historically thinly capitalized with insufficient nonborrowed liquid capacity. Additionally, significant failings at the institutional level in corporate governance and board oversight have occurred as well as documentation problems leading to wrongful foreclosures, accounting problems leading to unreconciled escrow accounts, lost or misappropriated consumer funds or incorrectly assessed fees. Further, when a servicer fails, loan transfers to a stable servicer are not a simple undertaking. In a best-case scenario, transactions may be suspended as loans are boarded and issues are sorted through. In a worst-case scenario, documents are lost, funds are misapplied or misplaced, interrupted payments cause derogatory reports on consumer's records, or other consumer harm results.

The nonbank mortgage servicing industry is diverse, ranging from small firms with straightforward operations to large, complex institutions and asset managers with multiple business lines. By employing a de minimis coverage trigger and existing standards or generally accepted business practices, the prudential standards minimize regulatory burden for small, less complex servicing firms while establishing uniformity and standardization for the industry. In the definitions on page 2 of the Bill we use "large servicer" to identify the entities the prudential standards apply to. These are the ones with portfolios of 2,000 or more residential mortgage loans serviced or subserviced for others and operating in two or more states.

If a mortgage servicer was to have difficulties making its commitments on behalf of borrowers, North Dakota currently has no requirements to enforce, nor do we have a “seat at the table” to represent our North Dakota homeowners. The majority of states, including our surrounding states, now oversee this important industry. Due to these entities’ importance in the economy and the impact they have on homeowners, there is a need for consistent standards addressing how these companies operate and service loans to North Dakota residents. State oversight of this important industry can only work if states are engaged. A state’s failure to properly oversee the mortgage servicing industry with reasonable prudential standards encourages federal regulators such as the CFPB to step in and preempt the state’s right to oversee businesses at the state level. Therefore, when our Department goes through our national accreditation, which provides us with credibility and ensures we meet minimum industry standards, we have been criticized for our inability to oversee mortgage servicers. The Department believes that the state of North Dakota is better positioned to oversee mortgage services and is better positioned to understand North Dakota homeowners than is the federal government. This Bill will help limit the risk of federal preemption.

This Bill includes a fiscal note. Our original request includes the addition of two FTEs. The House appropriations reduced it to one FTE with a corresponding amount of $225,000. We again request that we would have two FTEs added so we have the resources to properly oversee this additional industry. The original total fiscal amount is $463,000, which covers salaries and benefits, examination travel, examiner training, and related NDIT costs. This will allow for licensing, examinations, and oversight of mortgage servicers. Due to the size of these entities, we network with other state regulators to minimize the burden on the companies. Therefore, examinations are typically done in conjunction with our other state counterparts to also better leverage resources. Due to the specific nature of these companies, additional FTEs are requested since examinations take considerable resources of time to complete. Adding supervisory authority without the resources to execute the law gives a false indication of consumer protection, which is why additional resources are necessary. It is important to note that our Department is completely self-funded, and the additional resources required will be funded by licensing and examination fees.

Mr. Chairman, thank you for the opportunity to provide this testimony. I would be happy to answer any questions the Committee may have.

North Dakota | Financial Institutions
Be Legendary.™

MEMORANDUM

DATE: March 15, 2023

TO: Senate Appropriations Committee

FROM: Lise Kruse, Commissioner

SUBJECT: Testimony in Support of House Bill No. 1068

Mr. Chairman and members of the Committee, thank you for the opportunity to testify in support of House Bill No. 1068. House Bill 1068 creates and enacts a new Chapter 13-13 of the North Dakota Century Code relating to residential mortgage loan servicers.

The Department of Financial Institutions is tasked with the oversight of banks, credit unions and several nonbank entities that provide financial services in North Dakota. The non-depository institutions include trust companies, collection agencies, payday lenders, money transmitters, debt settlement service providers, and all nonbank lenders (money brokers), and mortgage loan originators. The typical structure for residential mortgages includes a lender who originates the loan and a servicer who services the loan. Companies may originate loans, service loans, or both. In North Dakota only the loan originators are required to have a license. This Bill would also require servicers to be licensed.

A servicer is the company responsible for the administration of the loan beginning after the loan closing and sale of the loan to the final owner, and continuing until the loan is paid off. A servicer is responsible for collecting borrower payments including principal, interest, taxes, and insurance, then remitting or forwarding those payments to investors, taxing authorities or insurance providers. If a borrower is delinquent on payments, the responsibility falls to the servicer to do everything it can to collect the payment and any late fees or penalties authorized under the original loan contract. Servicers are responsible for managing loss mitigation and borrower forbearance of payments and initiating foreclosure proceedings when a borrower reaches a certain stage of delinquency. Servicers also manage a variety of administrative responsibilities including accounting, record keeping, investor reporting and advancing unpaid amounts to investors, taxing authorities and insurance providers.

Since the financial crisis in 2007 to 2009, mortgage lending has shifted from banks and credit unions to nonbanks. The Wall Street Journal reported in June of 2021 that nonbanks issued 68% of all mortgages in the U.S. in

2020, and seven of the 10 largest mortgage lenders were non-banks. Similarly, nonbank mortgage servicing has grown from 6% to 60% of the government agency mortgage market in the last 10 years, and about 45% of the $11 trillion single-family residential mortgage market is serviced by nonbank servicers. Bank mortgage servicers are regulated by federal law; the nonbank servicers who now dominate the industry are primarily overseen by states as established in state law. Although the Consumer Financial Protection Bureau (CFPB) is a limited regulator of nonbank mortgage servicers, the agency enforces consumer compliance but has not established standards pertaining to the financial condition of nonbank mortgage servicers. State governments are currently the only option for comprehensive oversight for nonbank mortgage servicers, meaning we are the entity with ability to license, as well as examine, investigate, and enforce compliance with consumer protection regulations, as well as financial condition and corporate governance requirements. As such, states are the "primary" and "prudential" regulator of nonbank mortgage servicers.

Due to the significant market share and certain servicers being large companies operating nationwide, these entities have a significant impact on the overall U.S. economy. A bank servicer has a consistent funding source through deposits and other financial services income provided by the bank.

A nonbank servicer's funding comes from investors and bank loans. This can be problematic if there is pressure on liquidity. If borrowers are unable to make their mortgage payments and go into default, the servicers are still required to meet their financial commitments, and they have no other source of funds. The domino effect in our economy can have detrimental impacts. Added to this concern, there has been no uniform standards establishing minimum capital requirements, liquidity maintenance, or corporate governance for mortgage servicers. States have recognized this issue and have coordinated to issue prudential standards for nonbank mortgage servicers. These prudential standards were approved by my state counterparts, with input from the mortgage servicer industry. The standards apply to larger and more complex servicers and cover capital, liquidity, and corporate governance expectations. This Bill adopts these prudential standards for large mortgage servicers.

Rapid industry growth means nonbank mortgage servicers are responsible for a greater share of consumer care and protection. Sound financial condition and safe management practices are essential to performing compliance and consumer protection obligations, yet some nonbank mortgage servicers are historically thinly capitalized with insufficient nonborrowed liquid capacity. Additionally, significant failings at the institutional level in corporate governance and board oversight have occurred as well as documentation problems leading to wrongful foreclosures, accounting problems leading to unreconciled escrow accounts, lost or misappropriated consumer funds or incorrectly assessed fees. Further, when a servicer fails, loan transfers to a stable servicer are not a simple undertaking. In a best-case scenario, transactions may be suspended as loans are boarded and issues are sorted through. In a worst-case scenario, documents are lost, funds are misapplied or misplaced, interrupted payments cause derogatory reports on consumer's records, or other consumer harm results.

The nonbank mortgage servicing industry is diverse, ranging from small firms with straightforward operations to large, complex institutions and asset managers with multiple business lines. By employing a de minimis coverage trigger and existing standards or generally accepted business practices, the prudential standards minimize regulatory burden for small, less complex servicing firms while establishing uniformity and standardization for the industry. In the definitions on page 2 of the Bill we use "large servicer" to identify the entities the prudential standards apply to. These are the ones with portfolios of 2,000 or more residential mortgage loans serviced or subserviced for others and operating in two or more states.

If a mortgage servicer was to have difficulties making its commitments on behalf of borrowers, North Dakota currently has no requirements to enforce, nor do we have a "seat at the table" to represent our North Dakota homeowners. The majority of states, including our surrounding states, now oversee this important industry. Due to these entities' importance in the economy and the impact they have on homeowners, there is a need for consistent standards addressing how these companies operate and service loans to North Dakota residents. State oversight of this important industry can only work if states are engaged. A state's failure to properly oversee the mortgage servicing industry with reasonable prudential standards encourages federal regulators such as the CFPB to step in and preempt the state's right to oversee businesses at the state level. Therefore, when our Department goes through our national accreditation, which provides us with credibility and ensures we meet minimum industry standards, we have been criticized for our inability to oversee mortgage servicers. The Department believes that the state of North Dakota is better positioned to oversee mortgage services and is better positioned to understand North Dakota homeowners than is the federal government. This Bill will help limit the risk of federal preemption.

This Bill includes a fiscal note. Our original request includes the addition of two FTEs. The House appropriations reduced it to one FTE with a corresponding amount of $225,000. We again request that we would have two FTEs added so we have the resources to properly oversee this additional industry. The original total fiscal amount is $463,000, which covers salaries and benefits, examination travel, examiner training, and related NDIT costs. This will allow for licensing, examinations, and oversight of mortgage servicers. Due to the size of these entities, we network with other state regulators to minimize the burden on the companies. Therefore, examinations are typically done in conjunction with our other state counterparts to also better leverage resources. Due to the specific nature of these companies, additional FTEs are requested since examinations take considerable resources of time to complete. Adding supervisory authority without the resources to execute the law gives a false indication of consumer protection, which is why additional resources are necessary. It is important to note that our Department is completely self-funded, and the additional resources required will be funded by licensing and examination fees.

Mr. Chairman, thank you for the opportunity to provide this testimony. I would be happy to answer any questions the Committee may have.