



February 5, 2009

The Honorable Shaun Donovan  
Secretary  
U.S. Department of Housing and Urban Development  
451 7<sup>th</sup> Street, S.W.  
Washington, DC 20410

Dear Secretary Donovan:

The S.A.F.E. Mortgage Licensing Act of 2008 (SAFE), signed into law on July 30, 2008, establishes federal minimum standards of licensing or registration for individuals meeting the definition of loan originator or registered loan originator. SAFE provided that States have a period of time to update their laws to meet the new federal standards, and allocated responsibility to HUD to determine if a state meets the minimum requirements.

The Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) supported the passage of SAFE and shared Congress' desire to set minimum standards that would apply nationwide. CSBS and AARMR developed a model state act to provide states with a template to update their mortgage legislation as soon as possible in a uniform fashion and in a manner consistent with SAFE. CSBS and AARMR have appreciated HUD's rapid consideration of the CSBS/AARMR model state law and HUD's December 24, 2008 interpretation of SAFE as it would apply to the model state law. This collaboration has enabled states to begin legislative efforts to update their laws and implement SAFE requirements.

CSBS and AARMR are committed to meaningful loss mitigation efforts to assist homeowners in modifying the terms of their existing mortgages. States have been leading advocates in the area of home loss prevention, calling for aggressive action by servicers, and more focused attention by regulators at both the state and federal level.

Concerns have been raised that immediate application of SAFE licensing requirements to servicer loss mitigation specialists assisting homeowners experiencing problems might seriously curtail such activity at a time of unprecedented numbers of mortgage delinquencies and defaults. In response, some states are finding it necessary to address this situation through their SAFE legislation. CSBS and AARMR are concerned that in these attempts, state exemptions from SAFE may inadvertently violate SAFE requirements and put states in non-compliance with the federal law. Therefore, we request greater clarification of your interpretation of SAFE and request a reasonable delay in the licensing requirements for certain individuals.

The passage of SAFE was made possible under the Housing and Economic Recovery Act of 2008 (HERA). SAFE and HERA together were designed to provide consumer protection while fostering recovery of the nation's housing market. These goals are not mutually exclusive, however full implementation of all SAFE requirements on loss mitigation specialists in the midst of a significant need for loan modifications could delay assistance to homeowners who are in trouble.

The consumer protection gains achieved through licensing or registering loan originators specializing in foreclosure mitigation efforts would be offset in this time of crisis by the potential loss of capacity of servicers to conduct loan workouts. The need to resolve this conflict presents itself to not only State licensing agencies, but Federal registering agencies as well.


Pursuant to HUD's December 24, 2008 interpretive letter, Section D. Delayed Effective Date of Requirement to Obtain and Maintain a License, "HUD may approve a later date only upon a state's demonstration that substantial numbers of loan originators (or of a class of loan originators) who require a state license face unusual hardship, through no fault of their own or of the state government, in complying with the standards required by the SAFE Act to be in the state legislation and in obtaining state licenses within one year." Based on this interpretation, CSBS and AARMR propose an effective licensing date of July 31, 2011, or such later date as approved by the Secretary of HUD, for loss mitigation specialists employed by servicers.

CSBS and AARMR appreciate HUD's efforts to date in providing guidance for states in implementing the SAFE Act. We thank you for your consideration of this request and look forward to working with HUD in the coming year to further the goals of consumer protection and improved supervision.

Sincerely,



**Neil Milner**  
President and CEO  
Conference of State Bank Supervisors



**David Bleicken**  
President  
American Association of Residential  
Mortgage Regulators