

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

COMMERCE COMMITTEE  
SUBCOMMITTEE ON FINANCIAL  
SERVICES AND BANKING

ROOM 205  
RYAN OFFICE BUILDING

MONDAY, MAY 3, 2021  
11:01 A.M.

BEFORE:

HONORABLE ROBERT BROOKS, MAJORITY CHAIRMAN  
HONORABLE NICKOLAS PISCIOTTANO, MINORITY CHAIRMAN  
HONORABLE KEITH GREINER  
HONORABLE BARRY JOZWIAK  
HONORABLE ROBERT MERCURI  
HONORABLE CHRISTOPHER RABB  
HONORABLE BRAD ROAE  
HONORABLE CHRIS QUINN  
HONORABLE MELISSA SHUSTERMAN  
HONORABLE DIANNE HERRIN

Pennsylvania House of Representatives  
Commonwealth of Pennsylvania

1 COMMITTEE STAFF PRESENT:

2 JENNIFER WEETER  
3 REPUBLICAN EXECUTIVE DIRECTOR  
4 MCCLAIN FULTZ  
5 REPUBLICAN RESEARCH ANALYST  
6 HEATHER RODGERS  
7 REPUBLICAN LEGISLATIVE ASSISTANT

8 BETH HORNE-BEACHY  
9 DEMOCRATIC EXECUTIVE DIRECTOR  
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11 DEMOCRATIC RESEARCH ANALYST

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I N D E X

TESTIFIERS

\* \* \*

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EXECUTIVE ASSISTANT,  
SENIOR LEGISLATIVE DIRECTOR,  
DEPARTMENT OF BANKING AND SECURITIES.....9

LEONARD BERNSTEIN, ESQ.  
LEGISLATIVE COUNSEL,  
MORTGAGE BANKERS ASSOCIATION OF PA.....27

DAVID FIFER  
DIRECTOR OF STATE GOVERNMENT  
AND EXTERNAL AFFAIRS,  
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SUBMITTED WRITTEN TESTIMONY

\* \* \*

(See submitted written testimony  
and handouts online.)

## P R O C E E D I N G S

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3 MAJORITY CHAIRMAN BROOKS: I want to  
4 thank all of the members for joining us today,  
5 whether they're in person or virtually.

6 Thank you to all of our testifiers for  
7 taking the time to come before this Committee, as  
8 well. We'll have two in person and one virtual.

9 I am Bob Brooks, Subcommittee Chairman of  
10 the Financial Services and Banking for the  
11 Commerce Committee. I serve the 54th District,  
12 which is part of Allegheny and part of  
13 Westmoreland Counties. I'm joined today by  
14 several members of our Subcommittee. It looks  
15 like three -- four in person, and hopefully a few  
16 remotely. Also, hopefully a few of the standing  
17 Committee have joined us.

18 Today we'll hear from the PA Department  
19 of Banking and Securities and some mortgage  
20 industry experts to discuss how the pandemic has  
21 affected their business and how to make changes  
22 to the statutes to make remote working more  
23 accessible and more feasible. Remote work has  
24 become the norm with the pandemic. Along with  
25 Governor Wolf and his department, it's now easier

1 for some of our industries to work continually  
2 from home. And thus, we've waived several of the  
3 requirements in the statutes.

4 This is a case for our mortgage brokers  
5 and originators. However, looking further into  
6 this situation, we believe this might be  
7 something we'd want to do more permanently. And  
8 so for the ease of the industry and the  
9 customers, we've invited our guests to come and  
10 talk to us today.

11 Before I go any further, I would like to  
12 ask our Chairman, Mr. Pisciotano, to say a few  
13 words.

14 Was I close?

15 MINORITY CHAIRMAN PISCIOTTANO: Close  
16 enough. Thank you, Chairman Brooks.

17 Good morning, everyone. I'm Nick  
18 Pisciotano. I represent the 38th House District  
19 in Allegheny County. And I want to thank  
20 Chairman Brooks for organizing today's hearing,  
21 and to the testifiers for appearing today.

22 It likely goes without saying that the  
23 COVID pandemic that we've all been living with  
24 for over a year now was unprecedented in recent  
25 history. With the need to socially distance and

1 work from home, the focus on homeownership took  
2 center stage for many Pennsylvania families. As  
3 the Commonwealth and the nation went virtual  
4 during the COVID period, we were forced to  
5 reimagine the regulations around physical  
6 requirements and industry an example -- and an  
7 example was allowing mortgage originators and  
8 their licensees to work from home temporarily.

9 As we plan and adjust for the post-COVID  
10 world, I think it makes sense to examine what  
11 works and what doesn't going forward, so that  
12 Pennsylvania remains a competitive and attractive  
13 place to do business. I commend Representative  
14 Mercuri for his attentiveness to this evolving  
15 issue and his initiative as he works to craft  
16 legislation that is forward-looking.

17 During today's hearing, I look forward to  
18 hearing from the industry and from the Department  
19 about how this temporary measure helped the  
20 industry's consumers last year and what the  
21 industry would look like if mortgage originators  
22 were given the option to permanently close their  
23 brick-and-mortar offices and work remotely. I  
24 hope that we learn today -- what we learn today  
25 will help him -- help Representative Mercuri to

1 further refine the working draft legislation, so  
2 that we can ensure that consumers are protected  
3 and can feel confident that their personal  
4 information is safe and secure in this new  
5 industry model.

6 Also, I'm looking to gain a better  
7 understanding of the potential economic and  
8 consumer impacts of closing branch offices in our  
9 communities and to hear about the financial  
10 impact this proposal would have on the revenues  
11 required by the Department to ensure appropriate  
12 industry oversight and enforcement. It's my hope  
13 that this legislation can help lenders and  
14 protect consumers while continuing strong  
15 oversight, and I'm looking forward to testimony  
16 this morning.

17 Thank you.

18 MAJORITY CHAIRMAN BROOKS: Thank you for  
19 those comments.

20 A few housekeeping rules before we get  
21 started. We have members and testifiers that are  
22 in attendance and virtual. Due to the Sunshine  
23 Law, and the requirements of that, these  
24 platforms have certain technical difficulties at  
25 times and we will pause the meeting if a

1 difficulty happens, to where we can get everybody  
2 back online. To the members participating  
3 virtually, please mute your microphones. Know  
4 when you'll speak, we'll all hear you, but you  
5 have to basically hit the mute -- take off the  
6 mute button and then speak clearly to us after  
7 being recognized.

8 First, we're going to start with the  
9 swearing in of our testifiers. So when you do  
10 testify, we would appreciate if you would come to  
11 the desk and give your testimony. And it's  
12 easier if you remove your mask, so that it's a  
13 lot clearer for everyone. Okay.

14 So it's going to now be the tradition of  
15 this Committee to swear in testifiers like the  
16 Appropriations Committee has done for many years.  
17 So could I ask for you three gentlemen to raise  
18 your hands.

19 (Whereupon, the testifiers were sworn.  
20 en masse.)

21 MAJORITY CHAIRMAN BROOKS: Thank you.

22 So without further adieu, we'll begin.  
23 First, we're going to ask Mr. Paul Wentzel with  
24 the Department of Banking and Securities to come  
25 forward. Paul, you've already been sworn in.



1           I think what's great is the amount of --  
2           depth of experience that you have within that  
3           Department. If you would just kind of give us a  
4           quick summary of that, and then give us your  
5           testimony.

6           we always can hear you. It's --

7           MR. WENTZEL: There it is. Yep, I got  
8           it.

9           Yeah, thanks for having the Department of  
10          Banking and Securities here today. I really  
11          appreciate you including us in this, so we can  
12          discuss this legislation. It's really good to  
13          see the executive directors. I talk to them  
14          regularly, but I haven't seen them in person for  
15          quite a while. So good morning, ladies. Great  
16          to see you and great to be here.

17          I thought I'd start by giving a little  
18          background and information on the Mortgage  
19          Licensing Act, which is the Act that the  
20          legislation we're discussing today would amend.  
21          I thought that would be helpful. Then, I'd like  
22          to give some brief comments on the proposed  
23          legislation, but since we've just seen it, I  
24          haven't had the chance to vet it with Secretary  
25          Vague and our Non-Depository Secretary and his

1 staff. So I will just have a couple brief  
2 comments there.

3 And then, also, I'd like to see if  
4 there's a possibility of including some other  
5 sort of non-related amendments that would clean  
6 up the Act as we work through the process. So  
7 I'm hoping we can work together with you on that.

8 In terms of the non-bank mortgage  
9 industry -- and that's what we're talking about  
10 with this Act -- the Department of Banking and  
11 Securities -- it actually was the Department of  
12 Banking then -- has been licensing and regulating  
13 the non-bank mortgage business since 1980, 1981.  
14 And that's when the General Assembly passed the  
15 Secondary Mortgage Loan Act, which was  
16 legislation that called for the licensing and  
17 regulation supervisions of home equity, non-bank  
18 home equity lending.

19 And as the Chairman will probably  
20 remember -- because he's more in my age group;  
21 I'm not sure the others will -- there wasn't much  
22 home lending going on in the 70s and into the 80s  
23 in Pennsylvania. I mean, it really wasn't done  
24 very much. And in fact, when the legislation was  
25 being worked on, some of the members of the

1 Committee, the Commerce Committee, that went  
2 through this Committee, were completely against  
3 having second mortgages against a person's home.  
4 And that legislation didn't actually fly through  
5 the General Assembly. It took a little while to  
6 get it through.

7 But when it was passed, it had the  
8 Department license, examine, and regulate the  
9 second mortgage industry. Most of the companies  
10 that were involved in that business at the time  
11 were companies, like household finance -- they  
12 were finance companies, Beneficial Finance  
13 Associates. CitiFinancial was another one that  
14 was into it in a big way. So that was kind of  
15 the industry where we got started with regulating  
16 that industry.

17 At that time, which was the early 80s,  
18 the mid 80s, the first mortgage loan business was  
19 primarily the purview of the savings and loan  
20 association industry, savings banks, commercial  
21 banks, and credit unions to a lesser extent. As  
22 the savings and loan industry started to hit sort  
23 of rough times in the early 80s to mid 80s, which  
24 some will recall, the non-bank mortgage industry,  
25 mortgage brokers, and mortgage bankers started to

1 grow and become much more prevalent and  
2 operative. And then when the securitization of  
3 mortgages came along, they started to grow even  
4 more. So you're having a lot more non-bank  
5 companies involved in mortgage origination.

6 At the Department, we started to get some  
7 complaints about the fees mortgage brokers were  
8 charging, how they were handling the borrowers.  
9 On the mortgage-banking side, we were getting  
10 complaint about the servicing of the loans. Now,  
11 you had banks that were in the business, and they  
12 had affiliates and subsidiaries that did mortgage  
13 banking, for example, Mellon, Mellon Mortgage  
14 Corporation, which the Chairman might remember.  
15 That was a big -- a big mortgage company then in  
16 Pennsylvania.

17 But all of these non-bank companies were  
18 completely unregulated. They weren't regulated  
19 federally or at the state level, unlicensed.  
20 They were nothing. So they were operating  
21 completely free of scrutiny. So a legislative  
22 effort was undertaken in 1985 to get them  
23 licensed and regulated, and everyone was for it.  
24 I think Mr. Lynch is back here. He probably  
25 remembers that bill when it was moving. And

1 everyone was for it, but it actually took five or  
2 six years for it to get enacted, which was  
3 strange.

4 I think part of that was the fact that  
5 the non-bank mortgage industry was done  
6 differently in different parts of the State.  
7 Like the western part of the State was totally  
8 different from the eastern part of the State in  
9 how businesses worked. So -- but it eventually  
10 did pass, and it was one of the first ones in the  
11 country. And it was called the Mortgage Bankers  
12 and Brokers Act.

13 So that's on the books. We're in the  
14 business of licensing these people. And it  
15 really went well in the beginning. And the  
16 non-bank industry continued to grow through the  
17 90s, but the industry changed during that time  
18 and the Act had to be amended several times in  
19 the 90s to reflect changes in the industry. So  
20 those amendments were made.

21 In the early 2000s, the mortgage industry  
22 came to us and said that they'd like to see the  
23 industry become more professional and that they  
24 believed that there were people in the industry,  
25 particular in the mortgage brokerage area that

1 really weren't qualified to be in this business.  
2 And if any of you have seen the movie The Big  
3 Short, which is about the mortgage crisis, that's  
4 kind of documented in there about some mortgage  
5 brokers who were make huge amounts of money but  
6 had no clue about the business, really. They  
7 really didn't know what they were doing.

8           So there was -- there was a lot of talk  
9 about how do we could professionalize the  
10 industry. It took until 2008 until this  
11 Committee sort of got things together to pass  
12 legislation that established the licensing  
13 category of mortgage loan originator, which is  
14 who we're going to be talking about today in this  
15 legislation. And prior to that, we licensed just  
16 the company, not the individuals who were in --  
17 actually in the business and had contact with the  
18 public.

19           So that effort was undertaken. The  
20 legislation was approved, and the industry was  
21 professionalized by requiring that mortgage loan  
22 originators be licensed individually, educated,  
23 tested, bonded, and receive continuing education.  
24 So that was a lot for them. And there was no  
25 grandfathering, zero grandfathering. So all of

1 these people that had been in the business  
2 before, they had to take the test. They had to  
3 get bonded. They had to go through all of the  
4 stuff to get regulated and licensed. The main  
5 players in this legislation were Representative  
6 Pete Daley who chaired the Commerce Committee at  
7 the time. And Beth worked for me back 10, 12  
8 years ago. And also Senator Pat Browne and  
9 Senator Mario Scavello, who was a House member  
10 then, and helped drive this thing through.

11 So we felt good that we were able to get  
12 that in place. Several months later, Congress  
13 passed what's known as the Safe Act, requiring  
14 that states license their mortgage loan  
15 originators, all of them. So we were like  
16 amazingly ahead of the curve, which we felt  
17 pretty good about. And actually, the federal  
18 legislation almost was identical to the state law  
19 that you all had passed for us back in 2008. So  
20 we felt pretty good about that.

21 We ended up implementing the licensing  
22 program for the originators in 2009, right in the  
23 middle of the financial crisis. So we ended up  
24 licensing only 6,000 individuals. Prior to that,  
25 when we were working on the legislation, we were

1 projecting 30 to 40,000 originators. Here we  
2 only have 6,000, but so many mortgage brokers,  
3 mortgage companies, sub-prime mortgage companies  
4 went out of business during the financial crisis,  
5 that they didn't -- there was no need for the  
6 originators. And -- but not many loans were  
7 being made then either. Very few mortgage loans  
8 were made in '08, '09, 2010.

9 But since then, the industry has really  
10 recovered and done well, the non-bank industry.  
11 And I think we're at about 20,000 mortgage loan  
12 originators now that we license according to our  
13 Deputy Secretary for non-depository. I mean, the  
14 industry is cyclical, so when rates are -- rates  
15 are low, then you have a lot of mortgage loan  
16 originators. Rates go up, those originators  
17 lose their jobs because there isn't much demand.  
18 So that's how -- that's how it works. That's the  
19 history of it.

20 Over the next couple of years, the issue  
21 became mortgage servicers. Those are the people  
22 who take the payments and handle the mortgage for  
23 the investors and for the lenders. And we were  
24 getting a lot of -- starting to get a lot of  
25 complaints about servicing, how loans were going



1 to be serviced. And what was happening was the  
2 big banks that did the mortgage servicing were  
3 starting to move out of that business because I  
4 don't think it was that profitable. And the  
5 non-bank companies were picking up servicing  
6 business in a big way.

7 So in 2016-2017, we were worked with Jen  
8 and Beth and Represent Ryan Mackenzie and  
9 Representative Curtis Thomas to add mortgage  
10 servicing to the coverage of the Mortgage  
11 Licensing Act. We got that done and it's been  
12 really good. We feel like we can help -- we've  
13 helped a lot of consumers that were having  
14 problem with their servicing. It's probably the  
15 highest rate of consumer inquiry to the  
16 Department and we really think, you know, we're  
17 doing good work -- we're doing good work there.

18 So under that addition to the  
19 legislation, we've licensed about 200 mortgage  
20 servicing companies. And most of them aren't  
21 located in Pennsylvania, but a lot of consumers  
22 have issues with them. So that's kind of a  
23 nutshell -- I hope I haven't gone on too long,  
24 Jen -- but of the Mortgage Licensing Act.

25 On the -- on the proposed legislation,

1 which we really haven't studied completely, and  
2 the Secretary hasn't actually read it, or the  
3 staff, we have discussed the issue about remote  
4 mortgage loan originators. And I'm pretty sure  
5 we're supportive of that concept. We think it's  
6 a good thing and don't believe that there will be  
7 any sort of consumer damage, problems for  
8 consumers working with remote mortgage loan  
9 originators, but we'd like to take a look at it.

10 But if you do pass it and do permit it,  
11 it's been working fine during COVID from our  
12 perspective. But we think it's going to -- the  
13 way the bill is written now, we think it's going  
14 to create a problem for us. And that is that we  
15 think -- we'll have to hear from the other  
16 testifiers that some of the mortgage companies,  
17 or many of them, will be closing their branch  
18 offices. They don't have the -- if they can  
19 operate remotely. And we get, you know, we  
20 charge licensing fees for every branch office.  
21 There's between 2,300 and 2,500 branch offices.  
22 So that's where we get a lot of our revenue to  
23 run the regulatory program under the Mortgage  
24 Licensing Act.

25 And without that revenue, we can't

1 effectively -- we can't effectively run the --  
2 effectively regulate the non-bank mortgage  
3 industry. So I'm hoping that -- and we have to  
4 hear from the other testifiers, but I'm hoping  
5 you all will be willing to work with us to figure  
6 out a way that maybe we can increase some of the  
7 fees, you know, the other fees in the Act can  
8 make up for that lost revenue. Because  
9 otherwise, it will make it really tough for us to  
10 effectively regulate the industry.

11 And the only other thing I have is that  
12 -- the only other thing I have are what I put  
13 under the category of unrelated amendments. The  
14 Act was amended in '17 for the loan servicing,  
15 but it really hasn't been amended since about '12  
16 or '13. And there's a few issues, a few  
17 inconsistencies in the Act that we're hoping we  
18 can address as part of this process. One of them  
19 is there's two definitions in the Act for a  
20 wholesale table funder and a loan -- mortgage  
21 loan correspondent.

22 And we don't think they're operative  
23 anymore, and I think we'd like to remove them  
24 from the Act. But the draft legislation I saw  
25 had wholesale table finder mentioned in that --

1 in one of the sections, so I'm not really sure  
2 what that's about. We have to figure that out.  
3 There's also an issue relating to people who  
4 arrange loans for mobile homes and manufactured  
5 homes. And under the current law, they're  
6 licensed and regulated under the Consumer Credit  
7 Code, which is the Motor Vehicle Finance Act, and  
8 they're also in the Mortgage Licensing Act.

9 So they're taking a double hit or at  
10 least they having some burdensome requirements  
11 that other lenders don't have. So we'd like to  
12 take a look at that and see if we can make that  
13 more equitable for them. And then thirdly -- and  
14 I shouldn't tell the ladies this -- but when we  
15 did the servicing amendments, we did those kind  
16 of quickly. And it's really good in that the law  
17 reflects what the feds do at the Consumer  
18 Financial Protection Bureau, but we didn't take  
19 all of the scope, the federal law or the federal  
20 regulation. So we're not uniform there.

21 It's creating some problems for us in how  
22 we regulate services, not huge problems, but  
23 problems that we'd like to try and correct if we  
24 could.

25 MAJORITY CHAIRMAN BROOKS: I appreciate

1 that, especially, you know, it seems we do a lot  
2 of things in the State that don't exactly tie  
3 with the feds and it causes our people a lot of  
4 issues.

5 MR. WENTZEL: Yeah, a lot of people.

6 MAJORITY CHAIRMAN BROOKS: But we  
7 appreciate these three additional items and --

8 MR. WENTZEL: They're going to take some  
9 work for us to figure them out.

10 MAJORITY CHAIRMAN BROOKS: Yeah.

11 MR. WENTZEL: But there's a great  
12 opportunity.

13 MAJORITY CHAIRMAN BROOKS: I'd like to  
14 say that I appreciate the history and knowing  
15 that everybody is now professionalized in the  
16 mortgage industry.

17 MR. WENTZEL: We think they are.

18 MAJORITY CHAIRMAN BROOKS: So we feel  
19 very good about where we are. Now, we're just  
20 going to try to tweak it to make it better.

21 Did anybody else have a question?

22 we do listen and hear about the licensing  
23 fees that go with offices and, you know, maybe we  
24 can address that as we're thinking going forward,  
25 too.

1 MR. WENTZEL: Right.

2 MAJORITY CHAIRMAN BROOKS: Any thoughts  
3 or questions?

4 Mr. Mercuri.

5 REPRESENTATIVE MERCURI: Thank you,  
6 Mr. Chairman.

7 And thank you, Mr. Wentzel, for your  
8 testimony and for being here to educate the  
9 Committee on this important issue. I do think  
10 that this is an opportunity for us as a General  
11 Assembly to recognize that the way that we work  
12 today is changing, evolving. And the way that we  
13 have done mortgage banking in the past has  
14 changed, along with much of the economy, that  
15 things can be done remotely, and in many cases,  
16 much more efficiently and effectively than having  
17 the overhead of office space or commuting as a  
18 requirement to do the licensed work.

19 I do appreciate your comments on, as  
20 Chairman Brooks mentioned, tweaking, you know,  
21 the funding mechanism for the oversight activity.  
22 And we certainly can address that. And clearly,  
23 we weren't as focused on that, but that's --  
24 that's why you're here and we appreciate that.

25 My question for you is related to your

1 oversight activities of the mortgage banking  
2 industry, and in particular, on mortgage loan  
3 originations that were done remotely during the  
4 pandemic.

5 would you speak a little bit to any  
6 issues that occurred that were specific to the  
7 work being remote versus the work being in-office  
8 as it was pre-pandemic, if there were any?

9 MR. WENTZEL: I don't think there were  
10 any. I know of none. I mean, I've discussed it  
11 with -- we've been discussing this, you know, for  
12 a couple months internally, and we discussed it  
13 with our Deputy Secretary who runs the  
14 non-depository section of the Department, and I  
15 don't think that either he or his examiners have  
16 seen any -- any issues with remote mortgage loan  
17 originators any of our license I just -- I would  
18 comment that I just had the thought that I think  
19 there's some areas of the state where, you know,  
20 people don't have the Internet or don't operate  
21 online, and they like to walk in, put on their  
22 coat and tie, a nice dress, and go in and apply  
23 for a loan, sit down with a person. So I mean,  
24 that would still be available.

25 MAJORITY CHAIRMAN BROOKS: I don't think

1 we've excluded that, but you're right. I  
2 understand exactly what you're saying.

3 MR. WENTZEL: Right. I mean, there's  
4 certain areas of the State, but --

5 MAJORITY CHAIRMAN BROOKS: So in order  
6 for us --

7 MR. WENTZEL: As long as it worked  
8 remotely -- any -- we're actually working  
9 remotely anyhow online, and it's worked well.

10 MAJORITY CHAIRMAN BROOKS: For us to be  
11 able to get everybody a chance to be a part of  
12 this presentation, I would ask that the Chairman  
13 ask a question and then we'll move to the next  
14 presenter.

15 MINORITY CHAIRMAN PISCIOTTANO: I have a  
16 very brief question. How much does the  
17 Department expect the revenue loss to be if 50  
18 percent of these originators dropped their  
19 brick-and-mortar locations?

20 Do we have a rough estimate of that yet?

21 MR. WENTZEL: Tough to say. I mean, I  
22 have had some discussions with the non-depository  
23 Deputy about that. If you're saying 50 percent,  
24 I think we'd lose about a million dollars, in  
25 that neighborhood. I just don't know for sure.



1 we'll -- we'll work out the numbers and get them  
2 to you. But that would be a big hit to the  
3 program because what we like to have -- the  
4 Secretary likes to have -- is each licensing  
5 program, and we have many of them on the  
6 non-depository side, we like them to pay for  
7 themselves.

8 You know, the mortgage industry is paying  
9 -- the non-bank mortgage industry is paying for  
10 its supervision, regulation, examination. And  
11 the car business, the installment seller, sales  
12 finance business, they pay for their part of  
13 their licensing supervision and regulation.

14 MAJORITY CHAIRMAN BROOKS: So we'd be  
15 talking less than 10,000, which you said 20 was  
16 the total, times the 2,000. So in effect it  
17 could be above a million?

18 MR. WENTZEL: Yeah, I think it's in the  
19 million dollar -- million dollar area.

20 MINORITY CHAIRMAN PISCIOTTANO: Sorry to  
21 cut you off. I think we'd want to know your  
22 estimate when you get a chance, but also your  
23 suggestions on how to fill that back in with  
24 other changes whenever you get a chance to look  
25 at the legislation.

1           MR. WENTZEL: Right. You know, actually,  
2 the fees under the Act haven't been increased for  
3 quite some time. So a little boost, I think,  
4 would be -- might put us up with what other  
5 states charge. But we'd have to figure that out,  
6 see what -- see what a good number would be, but  
7 we --

8           MINORITY CHAIRMAN PISCIOTTANO: I'm  
9 sure --

10          MR. WENTZEL: -- can't lose that. We  
11 can't take that hit though.

12          MAJORITY CHAIRMAN BROOKS: You'll supply  
13 us with that number.

14          MR. WENTZEL: Yep.

15          MAJORITY CHAIRMAN BROOKS: We appreciate  
16 that. Great.

17                Thank you very much, Mr. Wentzel. We  
18 appreciate you being here. We always enjoy being  
19 able to call your office and talk to you  
20 whenever.

21          MR. WENTZEL: Appreciate it. Thank you  
22 very much.

23          MAJORITY CHAIRMAN BROOKS: Next, we'd  
24 like to hear from the Mortgage Bankers  
25 Association of PA. And Mr. Leonard Bernstein, if

1 you could please come forward and talk.

2 Again, what I love is, in talking to both  
3 of these people, we've got a wealth of  
4 experience. Thank you.

5 MR. BERNSTEIN: Well, good morning.  
6 Chairman Brooks, Chairman Pisciotano, members of  
7 the Subcommittee and staff, I'm Len Bernstein,  
8 and I'm appearing in my capacity as the  
9 legislative counsel for the Mortgage Bankers  
10 Association of Pennsylvania.

11 I'm testifying in support of legislation  
12 to establish remote work flexibility for lenders  
13 covered by the Mortgage Licensing Act. The MBA  
14 of PA consists of two affiliated regional MBA  
15 organizations, one in eastern Pennsylvania, one  
16 in southwestern Pennsylvania. I'm very pleased  
17 to have with me here two of the leaders who have  
18 made the trip to Harrisburg to show their support  
19 for what we're talking about today.

20 I'd like you to welcome Amy Azorandia,  
21 who is from Firstrust Bank. And she is the  
22 Secretary and a board member of the MBA of  
23 eastern Pennsylvania and Connie Lawrence of First  
24 Commonwealth Bank. Connie is the vice-president  
25 and president-elect of the southeastern

1 Pennsylvania MBA. Thank you for making the trip.

2 By way of background, the onset of the  
3 COVID-19 pandemic led many States, including  
4 Pennsylvania, to issue shelter-in-place mandates  
5 that required all employees, except those deemed  
6 "essential" to work from home. The Governor's  
7 office and the Pennsylvania Department of Banking  
8 & Securities, among other agencies, provided  
9 guidance to affected businesses and  
10 organizations.

11 And just as an aside, I want to salute my  
12 preceding witness, my friend of decades, Paul  
13 Wentzel, who is a treasure of this Commonwealth,  
14 for providing guidance and direction. It's a  
15 tradition that I hope will continue for many  
16 years. Thank you, Paul.

17 The MBA of Pennsylvania appreciates the  
18 support of the Department of Banking, and we  
19 appreciate the flexibility that was extended to  
20 our members. In fact, as of yesterday, the  
21 Department of Banking and Financial Services  
22 website contained this statement: The Department  
23 will not take exception to licensees and  
24 registrants working from alternate site  
25 locations, whether licensed or not, while the

1 Commonwealth of Pennsylvania is under a  
2 proclamation of disaster emergency -- and I  
3 understand that that proclamation, at least as of  
4 now, is going to be in place until the middle of  
5 May.

6 we're here today to ask you to make that  
7 licensing flexibility permanent. It's that  
8 simple. We, like all Pennsylvanians, are  
9 gratified by the continuing wide delivery of  
10 vaccines and the apparent decline in the spread  
11 of the virus. However, the uncertain trajectory  
12 of newly emerging strains as well as the  
13 uncertain long-term effectiveness of vaccines,  
14 cause us to believe that permanent legal guidance  
15 about remote work flexibility will protect  
16 employee health as well as facilitate our ability  
17 to serve our customers.

18 As you've heard, individual mortgage loan  
19 originators --we call them MLOs -- must be  
20 licensed under the Mortgage Licensing Act. The  
21 mortgage loan originators discuss loan terms and  
22 pricing with consumers. State laws and  
23 regulations typically require mortgage loan  
24 originators to work from a licensed location.  
25 Indeed, the section of the national mortgage

1       licensing website -- that's a place where  
2       everyone goes to license themselves and their  
3       employees -- that website says, I quote, a  
4       mortgage originator shall be assigned to and work  
5       out of a licensed location of the employer  
6       licensee.

7               So remote locations are not clearly  
8       addressed under the current law. And I could add  
9       that the Mortgage Licensing Act contains a  
10      penalty for \$10,000.00 for each offense. Our job  
11      at the MBA -- and my job as a compliance lawyer  
12      -- is to prevent violations, advise clients on  
13      how to comply. We want clear laws so that  
14      clients can comply. The only exception in  
15      current law to working at a licensed location  
16      appears to allow work from home if the mortgage  
17      loan originator's home is located within 100  
18      miles of a branch. But in today's world, such  
19      restrictions are unworkable. Plus, as the last  
20      12 months have demonstrated, being closer to  
21      customers wherever they are in the Commonwealth  
22      helps provide better service.

23              The remote work flexibility amendment to  
24      the Mortgage Licensing Act is simple. It's based  
25      on a model legislative proposal that's been

1 promulgated by the MBA of America. So it's being  
2 introduced and passed in other States.

3 The amendment that we've seen would  
4 establish under the Mortgage Licensing Act the  
5 concept of a remote location. That's what we're  
6 talking about. Remote locations could be located  
7 anywhere in the Commonwealth. But unlike  
8 branches, remote locations would not be licensed  
9 under the Mortgage Licensing Act. A mortgage  
10 loan originator or other mortgage company  
11 employee could engage in mortgage activities for  
12 its employer from a remote location, but only  
13 under specified conditions.

14 And this speaks to the consumer issue,  
15 making sure that there are controls. Under the  
16 legislation, the activities that -- the remote  
17 location, one, must be under the supervision of  
18 the licensee. They must have operating policies  
19 and procedures. They must have a written  
20 information security plan to protect privacy. No  
21 in-person contact with a consumer can be -- would  
22 be committed at the remote location. Physical  
23 records wouldn't be kept on-site. And that  
24 location wouldn't be advertised to the consumers.

25 Most importantly, this amendment would

1 not weaken the vital Department powers that exist  
2 to protect borrowers, nor would this amendment  
3 impede the ability of the Department to examine  
4 and supervise Mortgage Licensing Act licensees.

5 In fact, the statute currently requires,  
6 and will continue to require, that licensed  
7 mortgage bankers are responsible for the  
8 supervision and control of their mortgage loan  
9 originators. That won't change. The Mortgage  
10 Bankers Association of Pennsylvania welcomes the  
11 opportunity to engage with the Department to  
12 develop further standards that would facilitate  
13 the ability of mortgage loan originators to work  
14 from a remote location in a safe and secure  
15 manner.

16 Now, we've heard about the possible  
17 fee loss from the diminution of branches. Our  
18 association leadership does not believe that  
19 there is going to be such a diminution of  
20 branches. They believe -- now I should add that  
21 we have not done an empirical survey, and that  
22 could be something that would help the  
23 Committee -- but we're open to discussing the  
24 solutions that -- that you heard talked about  
25 earlier. But at this point, we don't see



1 suddenly a surrender of a high volume of branch  
2 licenses. We've received the draft bill, and we  
3 have just one change at this point. The word not  
4 is missing on page 3, line 5, with respect to the  
5 physical records not being held at the remote  
6 location. That's one of the protections.

7 And we're happy and look forward to  
8 working with the Committee and the Department of  
9 Banking and Securities on other changes. But we  
10 really wanted to make the point that the industry  
11 is behind you in looking to support remote  
12 locations. I have with me letters from seven  
13 independent mortgage companies that I'd like to  
14 submit -- perhaps after the hearing, you could  
15 put them into the record -- that support the  
16 concept. And that concept extends beyond these  
17 seven, but they were kind enough to supply the  
18 letters now.

19 Let me conclude -- and I will be happy to  
20 try to answer questions -- with a statement by  
21 the poet Maya Angelou, who said the ache for home  
22 lives in all of us. The safe place where we can  
23 go as we are and not be questioned. The Mortgage  
24 Bankers Association of Pennsylvania and its  
25 members are doing their part to relieve this ache

1 from home for consumers across the Commonwealth.  
2 We ask you to support the MLA remote work  
3 flexibility amendment to make our workplaces safe  
4 and to enable consumers throughout the  
5 Commonwealth to make the safe places of their  
6 dreams a reality.

7 Appreciate you listening to our testimony  
8 and would be pleased to answer questions.

9 MAJORITY CHAIRMAN BROOKS: Thank you very  
10 much. It's always good to hear from the industry  
11 that represents the whole State. And it's very  
12 nice of Amy and Connie to come, representing the  
13 two ends of our State.

14 Is there anyone that would have a  
15 question?

16 Mr. Mercuri.

17 REPRESENTATIVE MERCURI: Thank you,  
18 Mr. Chairman. Thank you for your testimony, Mr.  
19 Bernstein. I appreciate your comments in support  
20 of the bill.

21 I do agree with you that the bill will  
22 allow many more Pennsylvanians to achieve the  
23 dream of homeownership, and I'm glad to hear that  
24 your assessment is that the mortgage originators  
25 may not likely close their physical locations,

1 which would be a win-win. I'd like to ask you,  
2 if you could expound on that point, why in your  
3 assessment would the mortgage originators not  
4 close facilities?

5 Could you just explain a little bit of  
6 the business side of that, please?

7 MR. BERNSTEIN: Yeah, it's a good  
8 question, Representative. And some of it harkens  
9 back to what every business is going through. My  
10 law firm is going through it now.

11 How do we go back to our offices, when,  
12 and with what procedures?

13 where that's likely to end up is that we  
14 will have a hybrid situation, where we work in  
15 our offices a couple days a week and work from  
16 home the rest of the week. That may very well be  
17 the situation that occurs with respect to the  
18 Mortgage Licensing Act and mortgage loan  
19 originators.

20 Therefore, if we follow that prediction  
21 -- and no one has a crystal ball that that can be  
22 guaranteed to be accurate -- but if we follow  
23 that prediction, let's say that mortgage loan  
24 originators want to or believe it's best to work  
25 from home several days a week and come into the

1 branch several days a week. In that manner, and  
2 if that occurs, there shouldn't be a diminution  
3 of mortgage branch locations throughout the  
4 State. But as I said, my crystal ball is as good  
5 at the next person's. If the Committee thinks  
6 that it would be useful to have some empirical  
7 evidence about that, I am sure that the leaders  
8 here and throughout the rest of the Commonwealth  
9 will work to provide more specific information  
10 and more reliable information in answer to your  
11 question.

12 REPRESENTATIVE MERCURI: Thank you so  
13 much.

14 MAJORITY CHAIRMAN BROOKS: Chairman.

15 MINORITY CHAIRMAN PISCIOTTANO: Thank you  
16 so much for your answers to the questions today.  
17 So I have two questions that are actually  
18 related.

19 I think the primary concern with this  
20 legislation is the security aspects. And so when  
21 we talk about the cyber security of people's  
22 information and safety of work-from-home  
23 workstations compared to a brick-and-mortar  
24 location, do you envision or does your  
25 organization envision having one standard across

1 the industry or allowing each individual MLO to  
2 kind of determine that in-house?

3 MR. BERNSTEIN: Good question. I'll  
4 answer that and then hear the next question.

5 MINORITY CHAIRMAN PISCIOTTANO: Yeah,  
6 that's fine.

7 MR. BERNSTEIN: Very important question.  
8 And the legislation, like the Act, I think  
9 contemplates that the Department of Banking and  
10 Securities will undertake a regulatory process to  
11 come up with specific standards. Certainly, the  
12 industry is well aware that data security is a  
13 risk. And when we're talking about remote  
14 locations, no one in the industry wants computer  
15 disks running around and machines left open in  
16 ways that will endanger consumer data.

17 My expectation is that with -- it's  
18 sometimes difficult to put into legislation every  
19 detail of a standard, but it would probably be  
20 the case that the Department of Banking and  
21 Securities, upon seeing and agreeing to  
22 legislation that establishes the concept of  
23 remote offices would engage in a regulatory  
24 process where we'd all have the opportunity to  
25 receive notice and comment to try to establish

1 uniform remote office locations, cyber security  
2 protections that provide fairness and security to  
3 all involved.

4 MINORITY CHAIRMAN PISCIOTTANO: Right.  
5 And I think that's the right answer. We don't  
6 want to spell it all out in statute because it  
7 will change too quickly, but we want to have some  
8 oversight there. So thank you for that answer.

9 The second question is related to that,  
10 in that we're talking about specific prohibition  
11 spelled out in statute around not advertising the  
12 physical location, no physical documentations at  
13 the remote locations and things like that. Do  
14 you expect that to be spelled out in statute or  
15 do we want that to go through a regulatory  
16 process at the Department, as well, again,  
17 understanding that things may change over the  
18 next five years?

19 MR. BERNSTEIN: Another important  
20 question. Those protections that we saw in the  
21 draft that had been sent around pretty much arose  
22 from the model legislation that the MBA of  
23 America, which has a local and State task force,  
24 has been disseminating. I would think that the  
25 concept of those protections would be in the

1 statute, but again, the details of them would be  
2 left for the regulatory process. And with the  
3 industry and consumer interest ready to  
4 participate with the Department of Banking and  
5 Securities, I think our organization is confident  
6 that we would reach the right place once that  
7 process is over.

8 MINORITY CHAIRMAN PISCIOTTANO: Thank  
9 you. I think I speak for myself when I say we  
10 want to see a baseline of protection and security  
11 in statute and allow the Department the  
12 flexibility to get into the weeds and make the  
13 specific regulatory decisions, so thank you.

14 MAJORITY CHAIRMAN BROOKS: Appreciate the  
15 comments. Thank you.

16 Data risk is obviously one of the most  
17 important things in this remote. So now -- Mr.  
18 Bernstein, appreciate it -- we're going to go to  
19 our remote speaker, Mr. David Fifer, who's with  
20 Rocket Mortgage, whom we all know, so --

21 MR. FIFER: Thank you so much for having  
22 me, Chairmen Brooks and Pisciotano, members, and  
23 staff. It's an absolute pleasure to be here  
24 today. My name is David Fifer. I have the  
25 privilege of representing Quicken Loans and our

1 family companies, including our great product,  
2 Rocket Mortgage, as the Director of State  
3 Government and External Affairs in the northeast.

4 You've already heard some detailed and  
5 thoughtful testimony here today as well as  
6 received written testimony from some of Quicken  
7 Loans' Pennsylvania-based team members, so I will  
8 keep my comments pretty brief. At Quicken Loans,  
9 we're obsessed with helping our clients achieve  
10 the American dream of homeownership and financial  
11 freedom. We do this by embracing smart,  
12 forward-thinking policies that make life better  
13 both for the consumers and the lenders alike, so  
14 this means we're just so thrilled to see  
15 Pennsylvania not only take on this policy, but  
16 really be a national leader on it.

17 The proposal before you today takes the  
18 natural evolution of today's workplace and folds  
19 it into State statute, allowing mortgage loan  
20 originators to keep up and compete while still  
21 maintaining strong protections for borrowers  
22 engaging in what truly is one of their life's  
23 most important milestones. The industry has  
24 demonstrated over the last year that this model  
25 works and it's worth finding a way to codify it



1 as the new standard moving forward.

2 Representative Mercuri, I just want to  
3 thank you so much for your thoughtful leadership  
4 on this, bringing it forward, assembling the  
5 stakeholders, this collaborative process is  
6 really helping, should work. And it's just an  
7 absolute delight to see it play out here.

8 To Mr. Wentzel's concerns, I want to echo  
9 my comments from my friends in the MBA of  
10 Pennsylvania. We'd love to work with the  
11 Department to find a structure that would work  
12 with everybody. We want to empower our lenders  
13 with more flexibility, but still making sure the  
14 Department continues to operate without harm.  
15 That is certainly an intention of this advocacy,  
16 to provide harm to our oversight bodies.

17 Thank you so much for accommodating me  
18 today to testify over video. And thank you so  
19 much for your thoughtful consideration on this.  
20 I think Mr. Bernstein's comments really summed  
21 things up nicely, so I'm happy to answer any  
22 questions or simply yield my time back to the  
23 Committee.

24 MAJORITY CHAIRMAN BROOKS: Thank you very  
25 much.

1           Any questions that anyone would like to  
2 ask?

3           Mr. Mercuri.

4           REPRESENTATIVE MERCURI: Thank you,  
5 Mr. Chairman.

6           And thank you, Mr. Fifer, for being here  
7 today. My question relates to your comment about  
8 the national leadership in doing this in  
9 Pennsylvania.

10           Could you comment on whether or not other  
11 States are adopting this type of remote mortgage  
12 banking law, and if so, where?

13           MR. FIFER: Absolutely. This legislation  
14 is being introduced in multiple States. I know  
15 Illinois has it. I believe New Hampshire and  
16 Connecticut are considering this, as well. But  
17 this model legislation only came out a few months  
18 ago after really a great process going into it.  
19 And Pennsylvania, I think, has been a leader in  
20 not only introducing it, but advancing it this  
21 far so quickly. I think I really believe that  
22 what you come up with is going to be what other  
23 States follow with.

24           REPRESENTATIVE MERCURI: That's great to  
25 hear. Thank you so much.

1 MR. FIFER: You're welcome.

2 MAJORITY CHAIRMAN BROOKS: Representative  
3 Herrin.

4 REPRESENTATIVE HERRIN: Yes, thank you.  
5 Thank you, Chairman.

6 Can you hear me? Okay.

7 MR. FIFER: Yes, ma'am.

8 REPRESENTATIVE HERRIN: Good.

9 So Mr. Fifer, I find it really  
10 interesting Mr. Bernstein laid out the context of  
11 this being the pandemic and the fact that we  
12 don't know what will happen with that and there's  
13 no crystal ball in terms of when we can all get  
14 back to so-called normal, but I'm just curious  
15 about -- I mean, you're asking for a very --  
16 you're asking for permanency, which really is a  
17 shift in how you want to do business well beyond  
18 pandemic. And so I find that to be really  
19 interesting.

20 And I wonder what is it about this remote  
21 flexibility option that is going to be beneficial  
22 to your industry beyond the pandemic. Is it a  
23 matter of your ability to expand your employment  
24 pool for these originators or is it something  
25 else?

1 MR. FIFER: Sure. That's a great  
2 question.

3 From our perspective at Quicken Loans,  
4 it's really about being able to meet the consumer  
5 whenever they're at. Under the traditional model  
6 of brick and mortar, you go to your office, you  
7 open at 9:00, you close at 5:00 -- or 8:00 to  
8 6:00 -- and if that time works for consumers,  
9 that's great, but I know when my wife and I were  
10 recently engaging in our own home shopping  
11 process, I was calling our mortgage banker at  
12 8:00 at night with last-minute questions and  
13 trying to understand best what we needed to do to  
14 empower ourselves and put ourselves in the best  
15 situation.

16 So giving our loan originators, our  
17 bankers, that same flexibility where whether  
18 they're home, whether they're in the office,  
19 whether they're on the road, walking out of a  
20 baseball game, in their car, just being able to,  
21 when they're in a place that they can safely and  
22 securely talk to their client, meet them where  
23 they're at wherever that is and provide the best  
24 service possible.

25 REPRESENTATIVE HERRIN: Okay. Thank you.

1 That answer raises, I guess, more security  
2 concerns in my mind if they're, you know,  
3 speaking from the car and so forth, so just a  
4 comment.

5 Thank you.

6 MAJORITY CHAIRMAN BROOKS: Thank you,  
7 Representative.

8 And the last question is from Chairman  
9 Pisciotano.

10 MINORITY CHAIRMAN PISCIOTTANO: Thank  
11 you.

12 Thanks for being here. I would also ask  
13 you a similar question about the safety and  
14 security.

15 If there's no physical branch office,  
16 where are physical copies of any kind of  
17 documentation housed?

18 MR. FIFER: Yes, sir. So I can speak to  
19 our company. We are an online company. We  
20 upload -- our clients upload their documents  
21 every day to secure portals. We spend a lot of  
22 our time and effort making sure that it is a safe  
23 way to conduct business, and that's how we do it  
24 all around the country. So for us, we don't  
25 house our documents physically in any one of our

1 office. Those are all safely and securely on  
2 computers, multiple layers of authentication and  
3 security, BPNs.

4 We have a very large IT department that  
5 keeps all of that safe.

6 MINORITY CHAIRMAN PISCIOTTANO: Thank  
7 you.

8 And just a quick follow up. So and this  
9 might show my own ignorance of this situation,  
10 but do we not require a wet physical signature on  
11 some of these loan origination documents? Like  
12 where would that physical documentation be  
13 housed?

14 MR. FIFER: Yes. So when we do a  
15 closing, we do have our folks come out to do a  
16 notarization. But Pennsylvania was actually just  
17 recently a leader in remote online notarization,  
18 being able to close a loan, doing it digitally  
19 and securely. So that will be really, I think,  
20 the way of the future as we move forward where  
21 we're not only being able to conduct more of our  
22 business online, but using remote online  
23 origination policies, something Pennsylvania led  
24 the country on just last year. It's even  
25 digitized that aspect of it.

1           MINORITY CHAIRMAN PISCIOTTANO: And then  
2 finally, with record retention issues, you know,  
3 if I get a loan at a bank, I can go and ask for a  
4 copy of my documentation. Are you guys expecting  
5 to have very long record retention periods for  
6 all of your offerings?

7           You know, because these are 15-, 20-year  
8 mortgages people might need access to, you're  
9 going to keep that all securely online for that  
10 very long period of time?

11           MR. FIFER: Yes, sir, absolutely. We  
12 comply with what our states lay forward as the  
13 best options for consumers.

14           MINORITY CHAIRMAN PISCIOTTANO: Okay.  
15 Thank you.

16           MAJORITY CHAIRMAN BROOKS: Thank you very  
17 much. Thank you, everyone, for attending today.  
18 I was thinking, I can't remember the last time I  
19 actually did a wet signature, so --

20           I believe we've learned a lot about the  
21 industry and how we can make remote work more  
22 accessible to everyone. We're going to take  
23 these comments and the testimony. I believe  
24 Representative Mercuri is actually developing  
25 legislation as we speak, but I can see,

1 especially as we look at security and some of the  
2 other nuances, we'll need to talk to you again.  
3 Appreciate whatever help you can give us.

4 So thank you very much. That concludes  
5 this hearing.

6 (Whereupon, the hearing concluded  
7 at 11:55 a.m.)

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## C E R T I F I C A T E

I hereby certify that the proceedings are contained fully and accurately in the notes taken by me from audio of the within proceedings and that this is a correct transcript of the same.

*Tracy L. Powell*

Tracy L. Powell

Court Reporter