

## **Loan Officer Licensing**

By John Burton, Legislative Chairman

Over the past several years there has been a concerted effort by the residential mortgage brokers to license and/or register residential loan officers. This has been an attempt to help combat the activities of unscrupulous loan officers who commit fraud while working for Mortgage Company A and then moving to Mortgage Company B and repeating the cycle. Both mortgage companies have been left to clean up the mess while the loan officer has been free to originate for another unsuspecting employer.

There is no effective mechanism to protect the public or a mortgage company from an unscrupulous loan officer. Previous employers have not been willing to discuss problems for fear of litigation. New Department of Financial Institutions rules have started to address the problem, but still do not require or allow the DFI to inform someone who inquires that an individual has been terminated for cause or publish a list of individuals who are not eligible for employment in the industry.

### **No Legislation Is Better Than Bad Legislation**

Early attempts at legislation, while well intentioned, were not well crafted. The first few attempts were overly broad and would have required even a temporary receptionist to be licensed. The costs were incalculable and thankfully the legislation was unsuccessful. This year's attempts were more pointed but also were flawed. The most recent unsuccessful legislation, among other things, would have allowed the DFI to suspend or refuse a license for ANY violation of a law. Is it really necessary to give government the ability to eliminate someone's livelihood for a parking ticket?

In my opinion, a realistic and cost effective mechanism needs to be found that would allow a prospective employer to check on the work history of a loan officer. It needs to protect previous employers, the employee, as well as the public while not placing an unreasonable burden on the employee, employer, DFI, or the public.

We look forward to working with the legislature and other interested parties to develop a workable framework that will accomplish these goals and protect a key industry to Arizona's continued growth and prosperity.