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**Testimony to the Senate Committee on Financial Institutions and Insurance
on HB 2568
March 9, 2022**

The Office of the State Bank Commissioner (OSBC) appreciates the committee's consideration of HB 2568, and we thank the Chairman for holding a hearing on the bill. Today, the OSBC brings Deputy Commissioner Mike Enzbrenner, Assistant Deputy and Director of Examinations Jim Payne, and Staff Attorney Matt Shoger.

HB 2568 amends the Kansas Mortgage Business Act (KMBA) (K.S.A. 9-2201 et seq.), the state law governing mortgage business. Companies subject to the KMBA are required to hold multiple licenses and registrations, depending on their scope of business in the state. This can include a main license, branch licenses, and loan originator registrants. The bank commissioner exercises regulatory authority over all mortgage business conducted in Kansas by a mortgage company. HB 2568 amends the KMBA to remove the requirement to hold separate, overlapping branch licenses and allowing mortgage company staff to work remotely. If the bill passes, a mortgage company will hold a main (master) license, and if the company originates mortgage loans, it will continue to have individual mortgage loan originator registrants.

During the COVID-19 pandemic and continuing to today, the mortgage industry has navigated many obstacles in attempting to remain compliant with state and federal laws, while continuing to provide important financial services to our state's consumers. Restrictions on travel and in-office work, coupled with the inability to conduct business remotely, was a no-win situation for many. The advent of remote work was a key strategy in delivering crucial mortgage services, while keeping consumers and mortgage company staff safe. Remote work was a large factor in the industry's positive performance in the unprecedented lending demand during this time. Many states, including Kansas, worked with mortgage companies during the pandemic to allow remote work as a compliant business model. HB 2568 aims to codify the written guidance provided by OSBC during the pandemic to allow remote work with sensible restrictions and safety precautions.

Beyond the pandemic, it has become clear that the need to streamline the regulatory environment to promote a versatile and efficient mortgage industry remains. Branch licensing rules have been on the books, largely unchanged, for years prior to industry-wide shifts to remote, online brokering and lending. Since the KMBA requires all mortgage company licensees to abide by its provisions, the main license alone is sufficient to provide the OSBC with the licensing structure necessary to carry out its responsibilities. HB 2568 removes the requirement to apply for and obtain a separate branch license for each location. In turn, the mortgage company licensee will provide a list of its branch locations to the OSBC as often as necessary, to account for the whereabouts of its mortgage staff. By law, a mortgage company licensee is fully responsible for all mortgage business conducted on its behalf with Kansas consumers.

In connection with remote work, HB 2568 amends the KMBA to clarify certain licensing renewal periods, fees associated with reinstatement, surety bonding, and financial statement requirements commonly used when participating in the Nationwide Multistate Licensing System, or NMLS.

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The OSBC worked with several industry stakeholders in drafting the bill. The OSBC has considered fiscal impacts of losing branch license fees and plans to rework fee sources to keep a neutral impact on current and future licensees, which industry members have fully supported. The aim is fewer duplicative forms and applications, and a streamlined mortgage licensing process.

We appreciate the committee's time today and would be happy to stand for questions at the appropriate time.

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