

HOUSE No. 1105

By Ms. Spiliotis of Peabody, petition of Joyce A. Spiliotis and others relative to further regulating mortgage brokers and lenders. Financial Services.

The Commonwealth of Massachusetts

PETITION OF:

Joyce A. Spiliotis
William Lantigua

Anthony J. Verga

In the Year Two Thousand and Seven.

AN ACT REDUCING MORTGAGE FRAUD.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Section 1 of Chapter 255E of the General Laws, as
2 appearing in the 2000 Official Edition, is hereby amended by
3 appending the following definitions:—
4 “Mortgage Employee”, a person employed as a mortgage broker
5 by a licensed mortgage broker or mortgage lender and acting under
6 the direction of that licensed mortgage broker or mortgage lender.
7 “Reduced Documentation Mortgage”, a mortgage requiring the
8 borrower to state the borrower’s income without requiring the
9 borrower to provide supporting income documentation.

1 SECTION 2. Section 2 of Chapter 255E of the General Laws, as
2 appearing in the 2000 Official Edition, is hereby amended by
3 striking the following from the first sentence:—
4 “provided, however, that any person who is employed by or
5 associated with a licensed mortgage broker or mortgage lender in the
6 capacity of a mortgage broker or mortgage lender under the direc-
7 tion of said licensed mortgage broker or mortgage lender shall not be
8 required to obtain such a license.

1 SECTION 3. Section 8 of Chapter 255E of the General Laws, as
2 appearing in the 2000 Official Edition, is hereby amended by
3 inserting the following clause after the second word in the first
4 sentence of the first paragraph:—
5 “other than a mortgage employee”

1 SECTION 4. Section 8 of Chapter 255E of the General Laws, as
2 appearing in the 2000 Official Edition, is hereby amended by
3 inserting the following sentence after the second sentence:—
4 When examining a mortgage broker, the commissioner shall
5 investigate the broker’s records for compliance with applicable
6 lending laws and evidence of falsified reduced documentation
7 mortgages.

1 SECTION 5. Chapter 255E is hereby further amended by
2 inserting after section 8 the following section:—
3 Section 8A. (a) The commissioner shall conduct at least twenty-
4 five investigations of mortgage brokers each year. The commis-
5 sioner shall search for fraud in reduced documentation mortgages
6 during these investigations.
7 (b) On or before June 1 of each year, the commissioner shall
8 deliver a written report of investigations conducted under part (a) of
9 this Section to the General Court. In this report, the commissioner
10 shall include:
11 (1) the number of investigations;
12 (2) the outcome of each investigation;
13 (3) specific findings of fact in each investigation that presents
14 evidence of fraud; and
15 (4) any corrective action taken by the commissioner in response
16 to an investigation.
17 (c) If the commissioner conducts fewer than twenty-five investi-
18 gations of mortgage brokers during one year, then the commissioner
19 shall provide written justification for conducting fewer investiga-
20 tions to the General Court. The commissioner shall provide this
21 written justification in the annual report described in part (b) of this
22 Section. The commissioner may not justify conducting fewer than
23 twenty-five investigations in one year by pointing to the lack of evi-
24 dence of fraud in investigations conducted during the current or any
25 previous year.