



# OKLAHOMA DEPARTMENT OF CONSUMER CREDIT

*Scott Leshner, Administrator*

# Agency Structure

- 10-Member Bipartisan Commission (14A O.S. § 6-502, 6-503)
  - Appointed by the Governor by and with advice and consent of Senate
    - 5 year terms
    - 5 At-Large Members
      - No more than 3 at-large Members from the same political party
    - 4 Additional Members
      - 1 Member actively engaged in making supervised loans pursuant to 3-508A
      - 1 Member actively engaged in making supervised loans pursuant to 3-508B
      - 1 Member actively engaged in making pawn loans
      - 1 Member a licensed Mortgage Loan Originator
      - Of these, 1 recommended by Oklahoma Consumer Finance Association, 1 recommended by Independent Finance Institute, Inc., 1 recommended by the Oklahoma Pawnbrokers Association, Inc., and 1 recommended by the Oklahoma Association of Mortgage Professionals
      - Of these, no more than 2 from the same political party
  - *Oklahoma State Banking Commissioner is an ex-officio member of the Commission*
- Commission appoints the Administrator (14A O.S. § 6-501)

# Agency Structure

- Commission Roster:
  - Bob Moses, Chairman, Guthrie
  - Joe Wilbanks, Vice-Chairman, Oklahoma City
  - Rick Harper, Commissioner, Tulsa
  - Suzy Barnes, Commissioner, Oklahoma City
  - Kent Carter, Commissioner, Norman
  - Jerry Douglas, Commissioner, Sand Springs
  - Shawn Karnes, Commissioner, Tulsa
  - Armando Rosell, Commissioner, Oklahoma City
  - Craig Stanley, Commissioner, Tulsa
  - *Mick Thompson, State Banking Commissioner, ex-officio member, Oklahoma City*

# AGENCY MISSION

We protect and educate consumer buyers, lessees and borrowers against unfair practices, and are fair and impartial in the regulation of consumer credit transactions in Oklahoma.

# What is a consumer credit transaction?

- Covers a wide variety of situations:
  - If you've ever financed a house, car, bought a cell phone on credit, or borrowed money as an individual, you've engaged in a consumer credit transaction.
- Those transactions are subject to limitations – from how much can be charged, to what disclosures are provided.

# HOW WE EXECUTE OUR MISSION

- Licensing
  - Ensuring that Oklahoma consumers are dealing with legitimate and lawful businesses.
- Examination
  - Keeping those legitimate businesses fully compliant, ensuring that Oklahoma consumers are receiving all the protections afforded to them by law.
- Investigation
  - Locating and identifying unlicensed entities that either may be unaware they are required to be licensed, or are bad actors seeking to escape regulation. Reviewing and acting upon consumer complaints.
- Enforcement
  - Initiating disciplinary actions to ensure compliance through suspension or revocation of licensure, or the imposition of civil penalties.

# Legislative Timeline and Regulatory Oversight

- **1969 - Department of Consumer Credit created by the Oklahoma Legislature to regulate the Uniform Consumer Credit Code**
  - 14A O.S. §§ 1-101 - 9-101 (3,949 licensees as of 12/31/18)
    - Supervised Lender (1,224); and
      - 3-508A (“A” loans)
      - 3-508B (“B” loans)
    - Notification Licenses (2,725)
      - Consumer credit sales
      - Consumer loans
      - Consumer leases
- **1972 - Oklahoma Pawnshop Act**
  - 59 O.S. §§ 1501 – 1515 (291 licensees as of 12/31/18)
- **1981 - Precious Metal and Gem Dealer Licensing Act**
  - 59 O.S. §§ 1521 – 1532 (115 licensees as of 12/31/18)
    - Precious Metal and Gem Dealers (65)
    - Precious Metal Employees (50)
  - Licensees include gold buyers, estate buyers and jewelry stores
- **1987 - Health Spa Act**
  - 59 O.S. §§ 2000 – 2010 (173 licensees as of 12/31/18)
  - Licensees include gyms and spas
- **1987 - Credit Services Organization Act**
  - 24 O.S. §§ 131 – 148 (46 licensees as of 12/31/18)
  - Licensees include credit repair companies

# Legislative Timeline and Regulatory Oversight

- **1988 - Oklahoma Rental-Purchase Act**
  - 59 O.S. §§ 1950 – 1957 (217 licensees as of 12/31/18)
  - Licensees are rent-to-own dealers
- **2003 - Deferred Deposit Lending Act**
  - 59 O.S. §§ 3101 - 3119 (208 licensees as of 12/31/18)
  - Remains one of the most restrictive statutes with requirements such as a compliance database, waiting periods, consecutive loan restrictions, and no more than 2 open loans at any one time
- **2009 - Oklahoma Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act)**
  - 59 O.S. §§ 2095 - 2095.26 (8,291 licensees as of 12/31/18)
  - Mortgage Brokers (280); and
  - Mortgage Loan Originators (8011)
  - Response to federal mandate
- **2013 - SAFE ACT Revisited - Mortgage Lenders**
  - 59 O.S. §§ 2095 - 2095.26 (1,110 licensees as of 12/31/18)
  - Distinct from Mortgage Brokers in that a Mortgage Lender has underwriting authority granted from United States Department of Housing and Urban Development, is a seller or servicer of Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, or issuer for Government National Mortgage Association
- **2013 - Consumer Litigation Funding Agreements**
  - 14A O.S. §§ 3-801 – 3-817 (19 licensees as of 12/31/18)
- **2013 - Precious Metal and Gem Dealer Licensing Act Revisited**
  - Department granted authority to conduct precious metal inspections



# NATIONAL MORTGAGE MELTDOWN

## Recovery

- **2008 - The Federal Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act)**
  - Gave states one year to pass legislation or allow the federal government to regulate mortgage industry in their state
  - Required the licensure of mortgage loan originators according to national standards
  - Required participation of state agencies in the Nationwide Multistate Licensing System and Registry (NMLS)
- **2009 – Oklahoma SAFE Act**
  - Aligned Oklahoma With Federal SAFE Act
- **2010 - Dodd-Frank Wall Street Reform and Consumer Protection Act**
- **2011 - Consumer Financial Protection Bureau (CFPB)**
  - Independent federal agency creation that was included in Dodd-Frank

# NATIONAL MORTGAGE MELTDOWN

## Recovery

- **National Mortgage Accreditation – 2014**
  - **Accredited by Conference of State Bank Supervisors (CSBS); and**
  - **American Association of Residential Mortgage Regulators (AARMR)**
- The mortgage accreditation program assures the Department is a highly competent mortgage regulator and is able to discharge its responsibilities through a critical review of administration, finances, personnel, training, examinations, supervisory procedures and statutory powers
  - **Goal is to Strengthen and Promote Excellence in State Mortgage Supervision While Minimizing Regulatory Burden**
- The Department became the 16th state accredited mortgage regulator through AARMR and CSBS
- This accreditation could not have been accomplished without the help of the Legislature in 2013

# ECONOMIC IMPACT

- 14,419 licenses as of 12/31/2018 engaging in business in Oklahoma
  - 5,639 Oklahoma Brick and Mortar licensees.
    - Employing an estimated 25,000 Oklahomans
- Over \$23.5 billion in mortgage loans to Oklahoma borrowers
- FY18 – Department ordered \$70,866.24 in refunds to Oklahoma consumers, not including CashCall
- CashCall – \$1 million for refunds to Oklahoma consumers and cost reimbursement to Department

# MAJOR ACCOMPLISHMENTS

- CashCall Settlement
  - Settled 3-year case with internet lender from California
  - “Online” loans made to 6,498 Oklahoma residents exceeded allowable rates by Oklahoma law
  - Claimed tribal sovereignty
  - Terms of Settlement:
    - All customer balances waived and reduced to \$0, over \$40M
    - Negative credit bureau reports corrected
    - \$1M cash for refunds for 2,832 to Oklahoma borrowers and reimbursement to Department for administrative costs
  - Department undertook the refund operations itself:
    - Completed mass mailing and telephone campaign to help identify and notify claimants entitled to refunds
    - **March 31, 2018** - final date to present claims
    - Worked with OMES to get checks cut
    - **September 2018** – Department was proud to report that the CashCall refund operations were successfully completed

# MAJOR ACCOMPLISHMENTS

- Examinations
  - 24 Examiners
    - 17 of which are Certified Mortgage Examiners through CSBS
  - Active participant in the multi-state mortgage committee (MMC)
    - Typically participate in at least 2 MMC examinations per year
  - Examination staff completed 845 examinations of licensed entities in FY18, both in and out-of-state
- Complaints
  - Holistic approach:
    - With the understanding that our purview casts a wide net, we make every attempt to maintain ownership over every complaint lodged with the Department
  - 232 consumer complaints processed for calendar year ending 12/31/18
- Investigations
  - In the last 2 years, the Department was able to launch a dedicated investigation unit, focused on discovering unlicensed activity
  - 2-person team
    - Conducted approximately 1,400 investigations for year ending 12/31/18, both in and out-of-state

# NEAR TERM GOALS

- Modernization of Internal Database:
  - Although we were one of the first to sign up for the OMES IT consolidation and we are an active participant in OMES Shared Services, the Department does actively maintain its own licensing information, which is constantly monitored and modified through the use of a state vendor. Department is looking to work with OMES IT Services to find a solution to migrate this licensing data to a more user-friendly platform. Previous attempts to make such improvements have been cost prohibitive.
- Maintain Accreditation:
  - Occurs every 5 years
  - Re-accreditation team scheduled to perform on-site examination August 19 – 21, 2019
- Maintain Active Participation in National Regulatory Associations:
  - Conference of State Bank Supervisors (CSBS);
  - American Association of Residential Mortgage Regulators (AARMR);
  - National Association of Consumer Credit Administrators (NACCA); and
  - American Conference of Uniform Consumer Credit Code States (ACUCCCS)

# NEAR TERM GOALS

- **Keep Mortgage Regulation in Oklahoma:**
  - Tremendous growth in licenses since Oklahoma SAFE Act in 2009 (4,188 since May 31, 2009 to 14,419 as of December 31, 2018).
  - Over 80% of all mortgage lenders and brokers are out of state entities, which means we travel to them.
    - Unique in that the Department is reimbursed for out-of-state travel expenses.
      - However, those expenses must be budgeted for in advance as the Department initially pays the cost of travel.

# CLOSING

- The Department and regulated industries strongly believe in, and are committed to those industries being financially responsible for their own regulation.
- Now that the Department operates on licensing and examination fees paid by regulated entities, if excess funds exist which are not required to fund operations, these dollars should be returned to our licensees in the form of a rebate.
  - Department is one of only a few agencies able to issue a rebate to licensees.
  - This past renewal season we were able to offer a 21% rebate to licensees – saving them an approximate aggregate of \$600,000.
- Happy to be celebrating our 50-year anniversary this year!