

ASSEMBLY BILL NO. 329—ASSEMBLYMEN PARKS, PARNELL, HARDY, BUCKLEY, LESLIE, ANDERSON, ATKINSON, BOBZIEN, CARPENTER, CLABORN, COBB, CONKLIN, DENIS, GANSERT, GERHARDT, GOEDHART, GOICOECHEA, GRADY, HOGAN, HORNE, KIHUEN, KIRKPATRICK, KOIVISTO, MANENDO, MCCLAIN, MORTENSON, MUNFORD, OCEGUERA, OHRENSCHALL, PIERCE, SEGERBLUM, SMITH, STEWART AND WOMACK

MARCH 15, 2007

JOINT SPONSOR: SENATOR CARE

Referred to Committee on Commerce and Labor

SUMMARY—Requires adoption of regulations concerning nontraditional mortgage loans and lending practices. (BDR 55-1044)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to financial transactions; requiring the Commissioner of Financial Institutions, with the cooperation of the Commissioner of Mortgage Lending, to adopt regulations concerning nontraditional mortgage loans and lending practices of certain persons and financial institutions; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

- 1 State regulation of the residential mortgage industry is divided between the
- 2 Commissioner of Financial Institutions, who regulates banks, credit unions, thrift
- 3 companies, savings and loan associations, and other financial institutions, and the
- 4 Commissioner of Mortgage Lending, who licenses and regulates mortgage bankers
- 5 and mortgage brokers. (Titles 55 and 56 and chapters 645B and 645E of NRS)
- 6 This bill requires the Commissioner of Financial Institutions, with the
- 7 cooperation of the Commissioner of Mortgage Lending, to adopt regulations
- 8 concerning nontraditional mortgage loan products and lending practices. This bill



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9 requires the Commissioner of Financial Institutions to adopt regulations that are
10 substantially similar to the provisions set forth in the "Guidance on Nontraditional
11 Mortgage Product Risks" published by the Conference of State Bank Supervisors
12 and the American Association of Residential Mortgage Regulators on
13 November 14, 2006. The publication makes recommendations concerning
14 nontraditional mortgage loan products and lending practices for state-regulated
15 financial institutions.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** Chapter 658 of NRS is hereby amended by adding
2 thereto a new section to read as follows:

3 1. *The Commissioner of Financial Institutions shall, with the*
4 *cooperation of the Commissioner of Mortgage Lending, adopt*
5 *regulations concerning nontraditional mortgage loan products*
6 *and lending practices of persons and financial institutions that are*
7 *required to be licensed or registered pursuant to the provisions of*
8 *titles 55 and 56 and chapters 645B and 645E of NRS and which*
9 *make or offer to make loans that are secured by liens on real*
10 *property.*

11 2. *The regulations required to be adopted by subsection 1*
12 *must be substantially similar to the provisions set forth in the*
13 *"Guidance on Nontraditional Mortgage Product Risks" published*
14 *by the Conference of State Bank Supervisors and the American*
15 *Association of Residential Mortgage Regulators on November 14,*
16 *2006.*

17 3. *If the publication is revised, the Commissioner shall review*
18 *the revision to determine whether the revision is suitable for this*
19 *State. If the Commissioner determines that the revision is suitable*
20 *for this State, he shall adopt a regulation that includes the*
21 *revision.*

22 4. *If the Commissioner determines that the revision is not*
23 *suitable for this State, he shall hold a hearing within 60 days after*
24 *his determination and give notice of the hearing. If, after the*
25 *hearing, the Commissioner does not revise his determination,*
26 *the Commissioner shall give written notice within 30 days after the*
27 *hearing that the revision is not suitable for this State.*

28 5. *As used in this section, "nontraditional mortgage loan*
29 *product":*

30 (a) *Means a residential loan agreement whose terms allow a*
31 *borrower to defer repayment of principal or payment of interest on*
32 *the loan for a period.*

33 (b) *Includes, without limitation:*

34 (1) *An interest-only loan; and*



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1 (2) *A payment option adjustable-rate mortgage.*

2 (c) *Does not include:*

3 (1) *A home equity line of credit other than a simultaneous*
4 *second-lien home equity line of credit; or*

5 (2) *A reverse mortgage.*

6 **Sec. 2.** This act becomes effective:

- 7 1. Upon passage and approval for the purpose of adopting
8 regulations and performing any other preparatory administrative
9 tasks that are necessary to carry out the provisions of this act; and
10 2. On January 1, 2008, for all other purposes.

