

## Leaders craft 3 lending reforms

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Gov. Janet Napolitano and state agencies such as the Department of Housing and the Department of Financial Institutions have been working on it for months. The two biggest steps involve legislation backed by many in the mortgage, appraisal and real-estate industries.

### **The step that's probably the most important to cracking down on bad loans and appraisal is licensing loan officers.**

"When an Arizonan sits down to talk about buying a home - usually the biggest investment they'll ever make - the person on the other side of the table should be experienced, educated and ethical," Napolitano said in her State of the State speech last week.

Last year, the mortgage industry estimated that as many as 18,000 unlicensed loan officers were operating across Arizona. Bills similar to the present measure have been introduced before but died in the Legislature. Maybe the subprime debacle, record foreclosures and the fact that Arizona is one of the last states to regulate loan officers will be enough to get it passed this year.

Richard Hagar, a national mortgage-fraud expert and Washington appraiser, said loan-officer licensing in other states is weeding out felons and the most unethical mortgage originators. But he said those "bad characters" have flocked to Arizona, where they still can make loans.

**The next piece of legislation is the Arizona Home Equity Theft Protection Act,** designed to license "equity purchasers." Foreclosure-rescue scams that involve groups offering help that instead take control of a struggling homeowner's house and strip out any equity of it have been a problem in Arizona for the past few years.

Legislation to help stop these schemes has been proposed before, and failed. Arizona Attorney General Terry Goddard has been behind much of that legislation because of the many complaints his office sees when it's really too late to help anyone.

**The third step is the Homebuyers' Bill of Rights created by the Arizona Department of Real Estate. It's posted at [www.azre.gov](http://www.azre.gov).**

Napolitano said in her speech, "We will live through this housing-market downturn, and we will mitigate those that come in the future. Now it's our job to keep this mess from happening again."