



Implementation of the S.A.F.E. Mortgage Licensing Act & Transition to the NMLSR

Texas Department of Savings & Mortgage Lending

Tony Florence
Chief Examiner

S.A.F.E. Applies To:



- What is the definition of a Residential Mortgage Loan Originator (RMLO)?
 - An individual who for compensation or gain, or in expectation of compensation or gain, takes a residential mortgage loan application or offers or negotiates the terms of a residential mortgage loan application
- All mortgage originators
- Government employees
- Nonprofits
- Independent contractors of Processing or Underwriting
- Non-homestead seller financing

No de minimus (Originate get Licensed)

Licensing Specifics



How is “residential mortgage loan” defined?

- 7 TAC 80 states a “Residential Mortgage Loan” is a loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling or on residential real estate whether or not the property is intended for owner occupancy. It includes new loans and renewals, extensions, modifications, and rearrangements of such loans.
- The term does not include a loan which is secured by a structure that is suitable for occupancy as a one-to-four family residence, but is used for a commercial purpose such as a professional office, beauty salon, or other non-residential use, and is not used as a residence.

Licensing Specifics



Who is required to have an RMLO license?

- Any employee or contracted individual of a corporation, company, partnership, or sole proprietorship that:
 - engages in the business of residential mortgage loan origination on real property located in Texas;
 - The borrower is a Texas resident regardless of where the residential property is located;
 - represents or holds himself or herself out to the public as a “loan officer,” “mortgage consultant,” “mortgage broker,” “loan modification/refinance consultant,” or “residential mortgage loan originator,” or otherwise represents that the individual can or will perform the activities of an RMLO;
 - provides disclosures to a prospective borrower or discusses or explains such disclosures;
 - determines the lender(s) or investor(s) to whom the loan will be submitted; or
 - issues or signs a prequalification letter or preapproval letter.

S.A.F.E. Mortgage Licensing Act



- Applies to:

- ALL residential mortgage loan originators
 - Depository institutions' employees will be registered
 - Depository institutions' contractors will be licensed
 - Non-depository companies' employees and contractors will be licensed
- NO exemptions identified at this time
 - Possibility of "fair and reasonable" exemptions being explored

- Objective:

- Obtain and maintain annually –
 - Registration or licensing as a residential mortgage loan originator
 - Obtain a **unique identifier**

SAFE Mortgage Licensing Act (Cont)



- Requirements for **Registration**:
 - Criminal background checks
 - Personal history and experience
 - Complete application with NMLSR
 - Renew registration annually
- **ADDITIONAL Licensing** Requirements:
 - Pre-licensing education of at least 20 hours
 - Pre-licensing examination

S.A.F.E. Licensing Requirements



- Background Checks – **Criminal History:**
 - Has not been convicted of, or pled guilty or nolo contendere to, a felony in a domestic, foreign, or military court:
 - During the 7-year period preceding the date of the application or
 - At any time if the felony involved fraud, dishonesty, a breach of trust, or money laundering.
 - Every mortgage loan originator will need to provide a new set of fingerprints for an FBI criminal history report regardless of any past fingerprinting.

S.A.F.E. Licensing Requirements



- Background – **Personal History & Experience**

- Look-back period is 10 years for criminal, regulatory, civil, and financial actions or disclosures
 - *Exceptions include certain felonies, license revocations, lifetime bans*
- Credit report obtained from a consumer reporting agency
 - *States may determine how information will be used in licensing decisions*
- Administrative, civil, or criminal findings by any governmental jurisdiction
 - *Has not had a residential loan originator license revoked by any government jurisdiction*

S.A.F.E. Licensing Requirements



■ **Testing** –

- Consists of a national component & state-specific component
 - National test requires a passing score of 75% out of 90 questions; cost for test is \$92 —AVAILABLE NOW
 - Federal laws and regulations (35%)
 - General mortgage knowledge (25%)
 - Mortgage loan origination activities (25%)
 - Ethics (15%)
 - State test will require a passing score of 75% out of 45-55 scored questions; State test cost is \$69 — Available August 2010
 - Current MB/LO Pre-licensing Examination applicable until Texas SML State Component is available; State exam cost is \$48
 - Commissioner can certify licensee meets the state component with passage of Texas RMLO exam – NMLSR \$5 fee for this certification

Licensing Requirements – National Testing



- MU4 applicants must pass the National Test for full approval
 - When?
 - RMLO licensed by SML on or prior to 7/31/2009 must meet the requirement prior to renewing their license for 2011
 - RMLOs licensed by SML on or after 8/1/2009 must meet the requirement prior to submitting their MU4
 - Test results filed by test provider directly to the NMLS

S.A.F.E. Pre-Licensing Education



- No exemptions for other occupational licenses
- Minimum 20 hours must include:
 - **3** Hours of Federal mortgage related laws & regulations
 - **3** Hours of ethics, including fraud, consumer protection, & fair lending issues
 - **2** Hours related to lending standards for the nontraditional mortgage product marketplace
- Current licensees **MUST** meet this requirement
 - With submitted **education certificates** the Commissioner will have discretion to certify licensee meets requirement – NMLSR charges \$15.
 - Licensees not eligible for certification **must complete 20 hours** of NMLS-approved pre-licensure education before filing for a license with NMLSR.

Licensing Requirements – Education

- SML has a .pdf list on website

Eligible to Certify PE.pdf - Adobe Reader

File Edit View Document Tools Window Help

1 / 61 115% Find

Certification of Pre-Licensure Education

Residential mortgage loan originators (RMLOs) who hold an unexpired Texas SML license and who have completed 20 or more hours of Texas SML approved education (Core, Ethics, and/or Continuing Education) at the time they transition to the Nationwide Mortgage Licensing System (NMLS) may be certified by Texas SML as having fulfilled the pre-licensure education requirement under Chapter 180 of the Finance Code. The ability to certify one's record on the NMLS will not be available until later during calendar year 2010, at which time a \$15 fee will be paid by the applicant to the NMLS for this certification.

Accompanied by the last two digits of the Social Security Number and based on Texas SML records, below is a list of RMLOs eligible to certify their pre-licensure education as of March 1, 2010 9:30 AM:

81 - Abalos, Yolanda	53 - Adams, Dana C.	30 - Adriatico, Nelvin Joseph
06 - Abbott, Randy Larkin	43 - Adams, Daniel Ray	16 - Afflitto, Eric Robert
44 - Abbott, Tara Michelle	23 - Adams, Dorothy	98 - Agazzi, Georgia Anna Sarah
51 - Abd, Walid	88 - Adams, Frank Robert	00 - Agboola, Alex O
63 - Abdullah, Karim A	42 - Adams, Jary Brent	82 - Aguado, Cesar A.
11 - Abella, Pedro Barroga	09 - Adams, Keith D	73 - Agudelo, Martha Liliana

S.A.F.E. Licensing Renewal



- Requirements for continued licensure:
 - Each residential mortgage company shall submit to the NMLSR “reports of condition” referred to as Mortgage Call Reports.
 - Must continue to meet minimum license standards (financial, criminal)
 - File renewal application, along with payment, through the NMLS beginning November 1st each calendar year
 - Eight hours of continuing education is required in calendar year 2011 to renew a license for calendar year 2012
 - Continuing education of 8 hours
 - **3** Hours of Federal mortgage related laws & regulations
 - **2** Hours of ethics, including fraud, consumer protection, & fair lending
 - **2** Hours on lending standards for the nontraditional mortgage product

NMLS Education - Approval



- Education providers and courses are now being approved by NMLS
 - SML will accept NMLS approved courses for credit
 - SML will stop approving courses prior to January 2010

- Two step process: Approving provider and approving course
 - Criteria to become an NMLS approved provider
 - Demonstrate course quality and rigor
 - Means to demonstrate student satisfaction
 - Ensure instructor qualifications
 - Evidence of satisfactory course completion
 - Meet legal and business integrity guidelines
 - Internal review process
 - Approximately two weeks processing time

NMLS Education - Format



- **Pre-licensure Education (PE) Formats**

- Classroom
- Classroom equivalent
- Online instructor-led

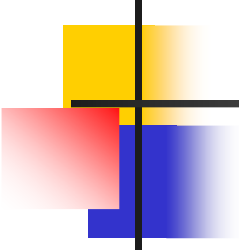
- **Continuing Education (CE) Formats**

- Classroom
- Classroom equivalent
- Online instructor-led
- Online self-paced

NMLS Education - New Students

Residential Mortgage Loan Originators (Chapter 156)	3,300
Residential Mortgage Loan Originators (Chapter 157)	5,000 – 10,000
Credit Union Service Organizations	50
Independent third party Loan Processors and Underwriters	unknown
Governmental Entities /Community Development Corporations	200
Non-profits	100

NMLS Education - Providers



	TX-SML Currently active	NMLS Primary location TX	NMLS Primary location outside TX
Providers	134	7	192
Courses	298	56	385
Instructors	514	Unknown	Unknown

NMLS Education - Cost

■ **Approved Course Provider Fee**

- \$400 per application (initial and renewal)
- Approvals are good for 2 years
- Renewal date is July 1 (of second year)

■ **Course Approval Fee**

- \$300 plus \$20 per hour (initial)
 - *Note: fee change (from current fee of \$300 to \$320-\$700) has been delayed until May 1, 2010*
- \$200 plus \$20 per hour *(renewal)
 - **(pending public comment and SRR Board of Managers approval)*
- Courses will be renewed annually on July 1st.



NMLSR Texas Timeline

- **April 2, 2010** — First group begins with new licenses as **Mortgage Bankers, Financial Service Agents, Credit Union Service Organizations, Etc.** (i.e., government entities, non-profits, attorneys)
- **July 1, 2010** — Second group begins transition as **Entities, Brokers, and Loan Officers**
- **December 31, 2010** — **ALL** Texas loan originators on the NMLSR including current licensees

NMLSR



- **Any questions on the NMLSR?**



Contact information

- SML Website: www.sml.state.tx.us
- SRR Website: www.stateregulatoryregistry.org
- Email: licensing@sml.state.tx.us
- Toll Free: 877-276-5550
- Main Phone: 512-475-1350
- Licensing Fax: 512-475-1360
- Office: 2601 North Lamar Blvd.,
Suite 201, Austin, Texas 78705