

HB 382 –Loan Originator Licensing and Education – Overview and Stipulations

- Direct effect of the Housing and Economic Recovery Act of 2008 passed by Congress, August 2008.
 - Title V of this Act, the S.A.F.E. Mortgage Licensing Act, mandates that all residential mortgage loan originators must be either state-licensed or federally registered.
 - All state licensed and federally registered mortgage loan originators must be registered with the Nationwide Mortgage Licensing System & Registry (NMLSR) maintained by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR).
 - All states must have a system of licensing in place for residential mortgage loan originators by August 1, 2009 that meets national definitions and minimum standards including criminal history and credit background checks, pre-licensure education , pre-licensure testing , continuing education, and net worth, surety bond or recovery fund.
 - MO HB 382 passed House and Senate legislature in May 2009, signed by Governor, July 2009
 - MO Loan Originators will have until July 31, 2010 to meet the licensing and registration requirements.
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HB 382 – General Requirements:

All mortgage Loan Originators, excluding those employed by a federal institution or subsidiary thereof, must:

- Provide fingerprints for an FBI criminal history background check
- Provide authorization for NMLSR/MO Division of Finance to obtain a credit report
- Input and maintain their personal Mortgage Loan Originator record in NMLSR as their license in each state in which they wish to conduct loan origination activity
- Pass a national mortgage test and score 75% or higher; also must pass a state mortgage test. The test will include Ethics, Federal law and regulation, State law and regulation, Federal and state law and regulation pertaining to fraud, consumer protection, nontraditional mortgages, and fair lending;
- Take 20 hours of pre-licensure education courses approved by NMLSR. The education must include:
 - 3 hours of federal law and regulations
 - 3 hours of ethics, which must include fraud, consumer protection, and fair lending
 - 2 hours of standards on non-traditional mortgage lending

Additional Requirements:

- Must Never had a loan originator license revoked;
- Has had no felonies in the past seven years; and Never had a felony involving fraud, dishonesty, breach or trust or money laundering;
- Demonstrate financial responsibility and general fitness such as to command the confidence of the community; Parameters to be determined by the State Regulator
- Takes eight hours of continuing education annually. The education must include:
 - 3 hours of federal law and regulations
 - 3 hours of ethics, which must include fraud, consumer protection, and fair lending
 - 2 hours of standards on non-traditional mortgage lending; and
- Each loan originator shall be covered by the surety bond for the MO licensed broker for whom he/she works. The surety bond will be determined by the state regulator and will be based on the loan volume originated by the company.

******NMLS will only process license applications or renewals. Each state regulator will retain its regulatory authority to approve, deny, suspend or revoke a license.**

Current Details Regarding State Licensure:

- The MO Division of Finance, our state regulator, will be working with CSBS to implement the NMLSR in Missouri. **Missouri is online with NMLSR as of April 2010.**
- Each company must maintain a unique identifier, and each loan originator employed within the company must maintain an individual identifier number. Each company must create a single record using Form MU1, regardless of the number of jurisdictions in which it is licensed. Companies will also be able to create and maintain a single record for each branch (Form MU3), control person (Form MU2) or mortgage loan originator (Form MU4). The use of any of these forms is governed by the regulations of the state in which you are seeking licensure, not by NMLS.
- To get registered to the NMLSR, please go to their homepage and click on the appropriate tag under Getting Started: <http://www.stateregulatoryregistry.org/AM/Template.cfm?Section=Home3>
- A company does not need to apply for a unique identifier prior to its individual loan originators applying; however, each L.O. will need to include their company identifier number when they are ready to officially submit all materials to the NMLSR.
 1. Initial L.O. Registration fee for the NMLSR: \$30.00
 2. Renewal registration fee for L.O.: \$30.00
 3. Missouri State specific L.O. licensing fees: \$50.00
- **Credit Report Submission –**
Starting in 2010, NMLS intends to provide functionality within the system to process independent credit reports from a consumer reporting agency for the purpose of obtaining or maintaining a license in one or more states. NMLS functionality is not available to-date; however, loan originators will submit a credit check waiver to the Missouri Division of Finance and credit will be pulled in-state.
 1. Fee – Included in licensing fee
- **Background Check Submission – Now Available**
NMLS intends to provide functionality within the system to process fingerprints for the purpose of obtaining a national criminal history background check through the Federal Bureau of Investigation. Under this functionality, mortgage loan originators will be able to authorize a single background check as part of license application to one or more states. The criminal history records information check response from the FBI will be attached to the mortgage loan originator's NMLS record and will be viewable only by the appropriate state regulator(s).
 1. Fee - \$39.00 – Live Scan or \$49.00 for Paper Card Capture

In addition to a national credit background check, the Missouri Division of Finance will also check background information in-state. Loan originators must submit a state background check waiver when applying for licensure.

- **Testing – National Test Now Available; MO State Portion unavailable at this time**
L.O.'s are required to pass a national test and a state specific test for each state in which he/she wishes to do business. The MO portion will be available June 14; however, MO loan originators applying for licensure prior to June 30, 2010 will not be required to take the state test until their license is up for renewal in December 2010. More info can be found at:
<http://www.stateregulatoryregistry.org/NMLS/AM/Template.cfm?Section=Testing&Template=/CM/HTMLDisplay.cfm&ContentID=25359>

MO does have approximately 11 testing sites, convenient to each of the major cities.

The fees for testing are:

1. \$92.00 for the national portion
2. \$69.00 for the state portion. An L.O. will have to take the state portion for each state they are going to originate loans in.

- **Pre-licensing Education and Continuing Education –**

CSBS is responsible for approving all education providers and individual education courses.

Each course provider will be responsible for uploading earned education credits to the NMLSR.

Approved course vendors and courses may be viewed here:

http://www.stateregulatoryregistry.org/AM/Template.cfm?Section=Course_Providers&Template=/CM/ContentDisplay.cfm&ContentID=24698

1. There is a distinction between Pre-Licensing and Continuing Education credit hours. Approved pre-licensing education will not be counted toward continuing education credits and vice versa. To distinguish please note: PE = Pre-licensing education, and CE = Continuing education.
 2. Education credits are earned on a calendar year cycle. Those interested in taking pre-licensing education now, please note that all 20 hours must be earned and on file by December 31, 2009 or the L.O. will have to start from scratch on January 1, 2010.
 3. Pre-licensing education must be taken in-house or instructor led-online. Online classes with no supervision are allowed to meet continuing education requirements only.
 4. MAMB has joined with Mortgage Education Foundation (MEF) to offer approved pre-licensing and continuing education classes. These courses will be offered both in-house and online. Courses will be posted on www.mamb.net once available.
- Pre-licensure education is NOT a prerequisite to taking the National or State components of the SAFE test. While NMLSR will encourage individuals to take pre-licensure education prior to taking either the National or State components of the SAFE test, if an individual chooses to register and take a test prior to completing any education there is nothing the system can do to stop them.

For questions relating to the Nationwide Mortgage Licensing System, please contact the NMLS Call Center at (240) 386-4444.

For an NMLSR loan originator registration tutorial please go to www.mamb.net or click on the following link: <http://mamb.affiniscap.com/associations/2214/files/NMLS%20Tutorial.pdf>

Steps for MO Loan Originators to Complete Licensing:

1. Sign up for NMLS ID #
2. Pass 20 hours of pre-licensing edu – credits uploaded to NMLS within one week of class
3. Pass national test with 75% or higher
4. Apply for federal background check through NMLS and pay fees (\$119) to have application submitted to DOF
5. Go to a location, specified through NMLS, and have prints captured
6. Review the following website link and complete all state specific licensing steps on second page. Mail directly to the Division of Finance within 5 days of electronically submitting application to NMLS
<http://mortgage.nationwidelicencingsystem.org/slr/PublishedStateDocuments/MO-MLO-New-Application-Checklist.pdf>

7. DOF to receive electronic NMLS application, state background and credit check waivers, federal background print results from NMLS; DOF to pull credit through credit bureau and submit prints for state background check
8. MLO to receive application approval/denial from DOF

If you have applied for the federal background check through NMLS and have paid the \$119.00 fee, essentially sending your loan originator licensing application to the Division of Finance, PLEASE BE ADVISED THAT YOU MUST COMPLETE ONE MORE STEP IN ORDER TO FULFILL THE MO STATE SPECIFIC JURISDICTION REQUIREMENTS.

To complete this process, please review the following website link and complete steps on the second page – <http://mortgage.nationwidelicensingsystem.org/slr/PublishedStateDocuments/MO-MLO-New-Application-Checklist.pdf>

Each individual loan originator applying for licensure in the state of MO must complete the requirements on page 2 of this document and send directly to the MO Division of Finance via mail (mailing address found on page 1).

The last three steps include:

1. If a licensee answered yes to any of the disclosure questions found in the MU4 Disclosure section, the DOF must receive explanation. This applies to any credit issues that may constitute red flags. Please be prepared to include any explanation letters/evidence to support your case for licensing. If you answered No to all disclosure questions, you can check N/A.
2. You are required to download and complete the 2 waivers, including a state background check and authorization for the state to pull credit.
3. You must include proof that you are employed by an MO licensed mortgage company.

Once you have completed all three items, please mail the second page along with waivers and any letters of explanation directly to the MO Division of Finance. Please do so as soon as possible after filing your application.

The DOF will not review your application until this information is on file.

Once the DOF does review your application, your NMLS account will be changed from Pending to Accepted. This is not a message of license approval but when this code is changed, the system will generate a message to the applicant that the status has changed. Once a license is approved, the Division of Finance will change the status to approved and an NMLS message will be generated. Denials will probably receive a letter before the change to the NMLS status is made.