

Important Numbers to study for the National Component of the SAFE Mortgage Licensing Act Test

0% down payment to Veterans who qualify for U.S. Department of Veterans Affairs (VA) mortgage up to \$417,000

Possible 0% down payment for United States Department of Agriculture/Rural Housing Service (USDA/RHS) mortgages for applicants whose income is up to 115% of the median income for the area.

0% RESPA GFE error tolerance- certain charges cannot change at settlement. Those charges include **the origination charge** which includes the following fees - origination fee, yield spread premium, commitment fee, processing fee, underwriting fee, lock-in fee, escrow waiver fee, wire fee, MERS fee; and **the credit or charge for the interest rate chosen** which includes the yield spread premium and the loan discount points; **the adjusted origination charge after the interest rate is locked in**; and **transfer taxes**.

- Our origination charge
- Your credit or charge (points) for the specific interest rate chosen (*after you lock in your interest rate*)
- Your adjusted origination charges (*after you lock in your interest rate*)
- Transfer taxes

1.10% monthly MIP for Federal Housing Administration (FHA) mortgages greater than 15 years and loan to values less than or equal to 95%. 1.15% monthly MIP for FHA mortgages greater than 15 years and over 95% LTV. If initial loan-to-value is less than 89.99% and 15 year mortgage, then no monthly MIP and if 90% or greater LTV then the monthly MIP is .25%. [These premiums are effective on or after April 18, 2011. HUD Mortgagee letter 2011-10 again increased the Annual MIP (monthly) 25 basis points effective on or after April 18, 2011.]

1% of 1% = .01% = 1 basis point; 100 basis points = 1%; .15% = 15 basis points

1% of loan amount = 1 discount point

1% affiliated business – **immediate disclosure** if common ownership of 1% or more ownership in referring company requires the borrower to receive an Affiliated Business Arrangement disclosure *prior to or at the time of making the referral (verbal referral is 3 business days)*. Governed by RESPA and must be on a separate sheet of paper.

1.00% FHA Upfront Mortgage Insurance Premium (UFMIP)(Purchases & refinances effective 10/4/10)

1.50% APR above prime offered rate for 1st mortgages to trigger Higher Priced Mortgage Loan (HPML) as of the date of the lock and 3.50% APR above prime offered rate for 2nd and subordinate mortgages to

trigger HPML

2.15% Funding fee for VA loan with less than 5% down payment and Veteran's first time use

Initial interest rate is up to 2.99% less than the fully indexed rate – discounted rate

Initial interest rate is 3.00% or more below the fully indexed rate – teaser rate

3.30% Funding Fee for 2nd time use of VA entitlement with less than 5% down payment

3.50% minimum down payment FHA

4% seller can pay in concession to Veteran and can pay an unlimited amount for nonrecurring closing costs

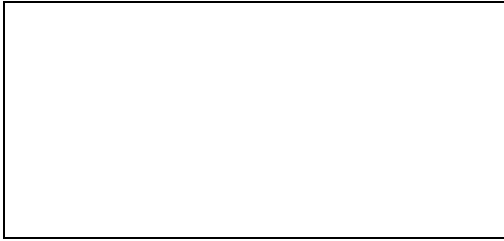
5% minimum down payment Conventional

6% - seller can pay buyer's closing costs FHA

8% APR exceeds Comparable U.S. Treasury rate then loan is Section 32; exceeds 10% points APR for junior liens then loan is Section 32 –requires special disclosure **3 business days** prior to settlement (no balloon payments for loans of less than 5 years, no negative amortization, interest rate cannot be raised if loan goes into default, 2 or more payments cannot be combined in payoff, prepayment penalty prohibited unless borrower's DTI is 50% or less and prepay is from previous lender in the 1st 5 years (In Florida, it is 10 years under the Florida Fair Lending Act) no due on demand clause unless fraud, borrower must have ability to repay debt & cannot look only to collateral value of property, lenders cannot refinance in the 1st 12 months (In Florida, it is 18 months under the Florida Fair Lending Act) unless a benefit to borrower can be shown.

Up to 10% RESPA GFE error tolerance – certain charges can increase up to 10% at settlement. Those charges include **required services the lender selects** which include appraisal fees, final inspection fees, credit report fees, FHA upfront MIP, VA funding fee, RD guarantee fee, and MI initial premium; **title services and lender's title insurance** if the lender selects them or the borrower uses companies identified by the lender; **owner's title insurance** if the borrower uses companies identified by the lender; **required services that the borrower can shop for if the borrower uses companies identified by the lender**; and **government recording charges**.

- Required services that we select
- Title services and lender's title insurance (if we select them or you use companies we identify)
- Owner's title insurance (if you use companies we identify)
- Required services that you can shop for (if you use companies we identify)
- Government recording charges



15% of the sales price- Fannie Mae maximum permissible net adjustment to any 1 comparable sale. Add all line item adjustments as real numbers plus or minus.

20% - Fannie Mae requires that the HO-6 insurance policy must provide coverage in an amount that is no less than 20% of the condominium unit's **appraised value**.

25% - portion of loan Private Mortgage Insurance insures

25% - gross up tax free income FHA

25% - amount of VA guarantee

25% of the sales price- Fannie Mae maximum permissible gross adjustment to any 1 comparable sale

Ownership 25% or more of a corporation requires loan applicant to provide 2 years of corporate tax returns & K-1's

28%/36% Conventional ratios

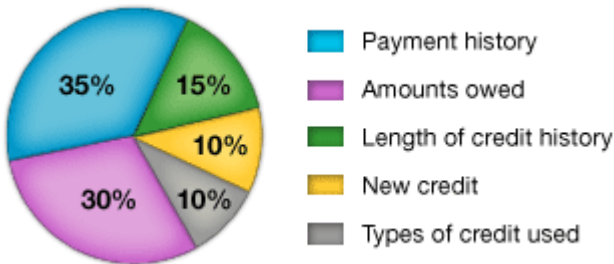
29%/41% RHS ratios

31%/43% FHA ratios

33%/38-40% jumbo ratios

41% VA ratio plus residual income

FICO® score considers pay history 35%, amount owed 30%, length of credit history 15%, new credit 10%, and types of credit used 10%.



Must score **at least 75%** to pass national exam (100 multiple choice questions 90 are scored and 10 are statistical and unscored)

Must score **at least 75%** to pass state exam (45-55 multiple choice questions of which 5-10 are unscored)

80% LTV or higher - Conventional financing requires Private Mortgage Insurance

110%/125% of original loan balance - threshold ARM with negative amortization can reach before loan is recast

1/6th RESPA permits cushion for annual premium to remain in the escrow account

1/12th RESPA states that the amount of the annual premium in the escrow account cannot exceed for each category

.125 APR (1/8th or 12.5 basis points) higher than initial TIL for a *regular* loan, must re-disclose and wait **3 business days** before mortgage can close (Federal Mortgage Disclosure Improvement Act – MDIA/TIL Act)

.25 APR (¼ or 25 basis points) higher than initial TIL for an *irregular* loan, must re-disclose and wait **3 business days** before mortgage can close (MDIA/TIL Act)

90 minutes to take the state exam with an additional 30 minutes for tutorial and optional survey

150 minutes to take the national exam with an additional 30 minutes for tutorial and optional survey

\$5.00 per test certification fee must be paid by MLO

\$15.00 education certification fee

Disclosed finance charge is considered accurate if it does not vary from the actual finance charge by more than \$35.00

\$10,000 – punitive damages for Equal Credit Opportunity Act (ECOA) violation

\$16,000 maximum fine per call that violates Telephone Consumer Protection Act and consumer can sue for damages \$500 to \$1500 or actual damages, whichever is higher

\$25,000 – minimum to invest in a Ginnie Mae mortgage pool

1st mortgage – reverse mortgage must be in first position and credit score is not a qualification factor

1st day of second month after closing- when will the first mortgage payment be due

At least 1 person must be designated in each financial institution for the safeguard policy

1 business day prior to settlement RESPA requires the borrower can review the HUD-1 settlement statement

1 mile away from subject property for appraiser to locate comparable properties sold in the past **12 months**

2 copies of Notice of Right to Cancel to **each person who has an interest in the subject property** of a loan that is subject to the 3 day right of rescission

2 business days prior to scheduled appointment test must cancel by noon per Nationwide Mortgage Licensing System (NMLS) policy to avoid being charged

2/2/6 – The first adjustment for an ARM cannot exceed 2% over the index rate plus the margin at the time the loan was originated; subsequent adjustments cannot exceed 2%; and the lifetime maximum adjustment cannot exceed 6%.

No later than 3 business days prior to settlement borrower must receive copy of appraisal per the Home Valuation Code of Conduct (HVCC)

3 business days prior to settlement for a Section 32 mortgage the lender must send a disclosure to borrower stating

- they don't need to complete the transaction just because they have made application;
- they could lose their home if they don't meet their obligations;
- the APR;
- the loan amount;
- regular payment amount;
- any permissible balloon payment, and
- for adjustable rate loans, the initial rate, monthly payment and the maximum payment.

3 business days to rescind a 2nd mortgage, home improvement loan, equity loan, HELOC, refinance existing loan with loan from a different lender, and a cash out refinance of first mortgage to extent of increased debt. Borrower can only waive this requirement in the case of a bona fide emergency such as an imminent foreclosure.

At application or within 3 business days after receipt of application provide the following disclosures:

- Good Faith Estimate (RESPA – Reg X)
- “Shopping for Your Home Loan” booklet (RESPA – Reg X)*
- Mortgage Servicing Disclosure Statement (RESPA – Reg X)
- Truth-in-Lending Statement (APR – Reg Z)
- Certification & Authorization form
- Notice of right to receive appraisal report (ECOA – Reg B)
- Equal Credit Opportunity Act (ECOA – Reg B)
- Any ARM disclosures as applicable

FHA – must also provide addendum to URLA, For Your Protection: Get a Home Inspection, FHA Informed Consumer Choice Disclosure, Important Notice to Homebuyers, FHA RE Cert, FHA Identification of Interest Certification

VA – must also provide addendum to URLA, VA Debt Questionnaire, Interest Rate & Discount Statement, Federal Collection Policy Notice

* note that the Shopping for Your Home Loan booklet can be reproduced in any form * (formerly known as Special Information Booklet)

Typically 3 payment options for PMI-annual & then pay 1/12th monthly; monthly; single premium

Up to 3 months to call consumer on Do Not Call Registry who made an inquiry

5/2/5: The first interest rate adjustment on an ARM cannot exceed 5%; subsequent interest rate adjustments cannot exceed 2%; and the lifetime maximum interest rate adjustment cannot exceed 5% over the index plus the margin at the time the loan was originated

Up to 6 months for loan buyback if default, fraud, or paid off

7 business days after delivery or mailing of TIL earliest can consummate loan. If TIL off by more than threshold, then re-disclose and wait another 3 business days after delivery or mailing of re-disclosure.

3/7/3 rule (time limit can be waived except in cases of financial emergency such as an imminent foreclosure). *** note difference in definition of business day*** Initial TIL disclosure only counts Saturday as a business day if the lender’s office is open for business. The next 7 and 3 business day rule defines business day as any day other than Sundays or holidays.

8 hours continuing education *annually* prior to renewal required by SAFE beginning in 2011 by December 31, 2011

- **3 hours Federal law and regulations**
- **2 hours ethics**
- **2 hours nontraditional mortgage products**
- **1 hour state specific (elective)**

At least 10 business days after the date of the GFE in the “Important Dates” section – **minimum** amount of time the estimate is valid

Less than 10 payments remaining – then exclude payment from total monthly debt obligations

At least 15 days prior to the due date of the next mortgage payment the borrower must receive the Servicing Transfer Statement notice. As long as payments are made when due, previous loan servicer must forward payments for 60 days.

20 days after test date- written correspondence of comment or challenge to a specific test question must be received by the NMLS content review team.

20 business days of receipt of the complaint the loan servicer must acknowledge

20 hours of NMLS approved pre education (8 hours are on mandatory topics – **3 hours on Federal laws and regulations, 3 hours on ethics including fraud, consumer protection, fair lending, and 2 hours on lending standards for nontraditional mortgages**)

25 calendar days to receive disclosure per TIL prior to a revised monthly payment on an ARM but no more than 120 days before payment is due

25 months – when adverse action is taken, ECOA requires lenders to retain copies of the application and other documents used to evaluate credit

30 day wait upon failing NMLS test (can fail 3 times and 4th attempt must be 180 days after 3rd fail then cycle repeats – 30,30,30,180)

30 days to issue Adverse Action Notice (ECOA); also the lender must either approve or notify the applicant that their application is incomplete within 30 days

30 days for USDA to make a decision on loan submission

30 days for telephone solicitation companies to update their *internal call lists* and 3 months to update the *national list*

30 days to investigate credit disputes by companies who report credit information to credit bureaus

31 days – telemarketers (except exempt) cannot contact you once your number has been in the registry

45 days from settlement the borrower must have received the Initial Escrow Statement (normally comes at loan closing)

60 days after settlement– move into property for FHA/VA mortgages and must live there for 12 months

60 days to make a written request to lender for reasons for adverse action

60 days to make a written request for copy of credit report if adverse action was due to items in credit report

60 business days the loan servicer must resolve the complaint by correcting account or giving reason for its position

62 years of age or older for reverse mortgage borrower

180 day test enrollment window

Annual escrow account statement from loan servicer detailing all deposits to the account and must refund any amounts over \$50.00

Annual privacy notice under Gramm-Leach-Bliley Act (GLBA) applies to customers

Once a year to receive disclosure per TIL if interest rate is adjusted on an ARM when the payment doesn't change

12 months no flipping (HOEPA) (In Florida, it is 18 months under the Florida Fair Lending Act)

12 months verification to consider alimony or child support in effective income

1 year preceding the date of the appraisal – appraiser must report and consider any sales of the comparables

Up to 18 months to call customer with established business relationship even if they are on the Do Not Call Registry

2 years employment & residence history

2 years – prepayment penalty cannot exceed and if the same lender refinances, then no PPP at all

Up to 3 years to rescind loan if TIL statement or Notice of Right to Rescind was not given

Up to 3 years to rescind loan if required disclosure for finance charge is understated by the greater of .50% of the credit transaction or \$100, whichever is greater

3 years preceding the date of the appraisal – appraiser must report and consider any sales of subject property

ACTS/DISCLOSURES/DATES

1968 Truth in Lending Act (TILA), REGULATION Z – implemented by the Federal Reserve System (FRS) through REGULATION Z and the Federal Trade Commission (**FTC enforces**). Applies to primary and second homes and purchases or refinances by natural persons. The primary purpose is to provide meaningful disclosures of the terms and actual costs of credit (APR). Applies to individuals or businesses that offer or extend credit regularly and the credit is subject to a finance charge or a written agreement that is payable in more than 4 installments and the credit is for family, personal, or household purposes. Key terms are nominal interest rate, discount points, finance charge, amount financed and APR. This act makes bait and switch advertising illegal. The Act regulates the Truth in Lending Disclosure Statement, the disclosure requirements for the Right of Rescission/Right to Cancel, and the disclosure requirements for High Rate/High Fee Mortgages (Section 32).

1968 Civil Rights Act and the Fair Housing Act is part of it. Prohibits the discrimination on the basis of race, color, religion, national origin, sex, familial status, and disability. It applies to the sale, rental, lease, or financing of real property and prohibits discriminatory practices in steering, redlining, or blockbusting.

1970 Fair Credit Reporting Act (FCRA) – purpose is to ensure that debtors have the right to dispute errors in their credit reports and is enforced by the **FTC**. The FCRA requires credit reporting agencies to provide consumers the information in their files and to verify the accuracy of the information within 30 days when it is disputed; entitles consumers to a free credit report annually from www.annualcreditreport.com [FACT ACT amendment]; negative information cannot remain on the report indefinitely – bad credit must be removed after 7 years and bankruptcies and judgments must be removed after 10 years. The FCRA also places obligations on the users of credit. Users of credit reports must notify the consumer of the name of the credit reporting agency when adverse action is taken as a result of information in the credit report.

1974 Real Estate Settlement Procedures Act (RESPA), REGULATION X, enforced by HUD – covers loans made by Federally related lenders to purchase and refinance 1-4 units with first and subordinate mortgages; enables consumers to shop for settlement services by requiring disclosures at required times (GFE & HUD-1); prohibits kickbacks, finder's fees, fee splitting, and referral fees; places limits on escrow fees; and to prohibit sellers from requiring buyers to use a particular title company as a condition of the purchase. RESPA allows the borrower to review the HUD-1 one business day prior to settlement. Under Section 6 of RESPA, borrowers who have a problem with the servicing of their loan including any escrow account questions can contact their loan servicer in writing with an outline of the nature of their complaint. The servicer must acknowledge the complaint in writing within *20 business days* of receipt of the complaint and within *60 business days* the servicer must resolve the complaint by correcting the account or giving a statement of the reasons for its position. Section 8 of RESPA prohibits a person from giving or accepting anything of value for referrals of settlement service business related to a federally related mortgage loan. It also prohibits a person from giving or accepting any part of a charge for services that are not performed. Section 9 of RESPA prohibits home sellers from requiring home buyers

to purchase title insurance from a particular company. Section 10 of RESPA sets limits on the amounts that a lender/servicer may require a borrower to put into an escrow account for paying taxes, hazard and/or flood insurance, and other charges related to the property. RESPA prohibits charging excessive amounts for the escrow account. The lender/servicer may collect no more than 1/12th of the total disbursements payable during the year and no more than a 1/6th cushion of the total disbursements for the year (2 months extra = 2/12 = 1/6).

1974 Equal Credit Opportunity Act, REGULATION B – administered by the Federal Reserve Board (FRB) and enforced by the *FTC*. The purpose is to promote the availability of credit to creditworthy applicants without regard to race, color, religion, national origin, sex, marital status, age, the fact that all or a portion of the applicant's income derives from a public assistance program, or the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act. When a lender requires an appraisal that the applicant pays for, the lender must provide a copy of the appraisal report or notify the applicant that they may request a copy. The Adverse Action notice must include the statement of action taken, the name and address of the creditor, ECOA notice disclosure, the name and address of the federal agency that enforces ECOA for that lender, either a statement showing the reasons for the adverse action or a statement that the applicant has the right to receive the statement within 30 days of a written request. ECOA can be enforced by state or federal government through a civil lawsuit. A violator would be liable for actual damages, attorney's fees and court costs, and punitive damages up to \$10,000. In a class action lawsuit, violators could be liable for the lesser of \$500,000 or 1% of the violator's net worth.

1975 Home Mortgage Disclosure Act, REGULATION C – enforced by the *FTC* and requires certain mortgage lenders to disclose data regarding their lending patterns annually by March 1 otherwise they face a \$500/day fine for late or inaccurate information. Administered by the FRB and provides one of the mechanisms for enforcing ECOA. Requires lending institutions to post general notice in lobby of main office and all branches about the availability of their HMDA data. Requires some institutions to keep Loan Application Registers (LAR's).

1978 Lead Based Paint Disclosure – homes built prior to 1978 require the borrower receive this disclosure prior to signing their sales contract.

1980 Depository Institutions Deregulation and Monetary Control Act and

1982 Garn-St. Germain Depository Institutions Act – both acts allowed banks to get into the mortgage lending business, allowed savings associations to get into consumer lending, and to pay any rate of interest on deposit accounts (previously it was capped by Regulation Q at 5.00% for banks and 5.25% for savings associations)

December 14, 1989 prior to this date there was no qualification to assume FHA mortgage

1991 Telephone Consumer Protection Act (TCPA) places limitations on telephone solicitors. The Federal Communications Commission (**FCC**) defines telemarketing and telephone solicitation as calls made for the purpose of encouraging the purchase or rental of or investment in property, goods, or services. Calls can be placed between 8 a.m. – 9 p.m. local time; solicitors must identify themselves and the firm along with the firm’s contact information; automated calls cannot be made to phones that would receive a charge for the call, such as cell phones; in the event of a violation the person who received the call can sue for damages between \$500 - \$1500 or actual monetary damages, whichever is higher; violators can be fined up to \$16,000/call; companies are required to maintain a “do not call” list and cannot contact anyone on the list for 10 years. Consumers had to contact each company individually to be placed on the company’s internal list and that was cumbersome. So in 2003, Congress enacted the “do not call registry” allowing consumers to place their number in the registry at www.donotcall.gov. Then the Do-Not-Call Improvement Act of 2007 (effective February 2008) allowed numbers to remain permanently in the registry unless the consumer requests otherwise or the telephone number is disconnected. Exceptions to the act include being able to call a consumer who has a relationship with the company for up to 18 months after purchasing a product and being able to contact a consumer up to 3 months after the consumer has made an inquiry. File complaints with the **FCC**.

1994 Home Ownership Equity Protection Act (HOEPA) prohibits unfair lending practices that include high fees, loan flipping, and stripping of equity. HOEPA covers closed-end loans secured by a borrower's principal residence, *other than home purchase loans*, with rates or fees above certain thresholds. HOEPA has an APR trigger and a points and fees trigger (higher priced mortgage loans [HPML] and Section 32 loans).

HOEPA will apply to:

- **First lien mortgage loans** excluding home purchases where
 1. The annual percentage rate (APR) **exceeds** the rate of comparable maturity Treasury securities by more than **8 percentage points**, or
 2. The **total fees and points** payable by the consumer at or before closing **exceed** the **greater of 8 percent of the total loan amount** or the annual minimum threshold (for 2011 it is **\$592.00**)
- **Second lien mortgage loans**
 1. The **APR exceeds** the rate of comparable maturity Treasury securities by more than **10 percentage points**, or
 2. The **total fees and points** payable by the consumer at or before closing **exceed** the **greater of 8 percent of the total loan amount** or the annual minimum threshold (for 2011 it is **\$592.00**)
- **Other refinancing and home equity installment loans**, excluding reverse mortgages and open ended lines of credit, where:
 1. The **APR exceeds** the rate of comparable maturity Treasury securities by more than **10 percentage points**, or
 2. The **total fees and points** payable by the consumer at or before closing **exceed** the **greater of 8 percent of the total loan amount** or the annual minimum threshold (for 2011 it is **\$592.00**)

If the loan is a HPML, then the lender must verify the borrower's ability to repay, prepay penalties cannot exceed 2 years and if borrower refinances with same lender then cannot include a prepayment penalty at all, and escrow accounts must be established for 1st lien loans. If the loan falls under Section 32, then prohibited practices include no balloon payments for loans that are less than 5 years unless bridge loan for the construction of a new home; no negative amortization; the interest rate cannot be raised if the loan goes into default; cannot consolidate 2 or more payments from loan proceeds; most prepayment penalties are prohibited unless lender verifies that the borrower's monthly payments are 50% or less of the monthly income and that the prepayment penalty is from a non affiliated lender in the 1st 5 years of the loan (note that in Florida it is 10 years); no due on demand clause unless the borrower has committed fraud or has defaulted; lenders cannot refinance loans within 1st 12 months unless there is a benefit to the borrower (note that in Florida it is the 1st 18 months)

1998 Homeowners Protection Act- for mortgage closed on or after July 29, 1999, calls for termination of PMI in 2 instances: *borrower initiated at 80% of original value* or *mandatory at 78% of original value*; requires a disclosure to be provided at closing addressing these rights including an amortization loan schedule showing the declining balance for fixed interest rate loans- ARM's must include statement that the borrower will be advised by the lender when automatic termination will occur; and an annual disclosure with the name, address, & phone number of the loan servicer for the borrower to contact to request cancellation.

1999 Financial Services Modernization Act also known as the Gramm-Leach-Bliley Act (GLBA) Title V of act developed safeguards for consumer privacy including the *financial privacy rule, the safeguards rule, and pretexting provisions*. Distinction is made between *consumer* who has an incidental or occasional use of the firm and *customer* who is a consumer with a **continuing relationship**. There are 3 distinctions to the financial privacy rule. They include that financial institutions cannot reveal account numbers to 3rd parties for marketing purposes (credit bureaus are excluded); financial institutions are required to develop a privacy policy that explains to customers what information they gather and what they reveal which must be sent to the customer prior to revealing the information, at least annually, and whenever the information has changed; and customers must be given an option to "opt-out" of the disclosures, in which case the financial institution could not share any *non public personal information* with affiliates or other companies. Mortgage brokers and lenders are considered financial institutions. Financial institutions are required to develop and enforce written safeguards about the handling of personal information; assign 1 or more employees to oversee the program; conduct a risk assessment; put safeguards in place to control the risks identified in the assessment and regularly test and monitor them; by written contract require service providers to protect customer's personal information; and periodically update their security program. A service provider is any person or entity that receives, maintains, processes or is permitted access to customer information from a financial institution that is subject to this safeguard rule. Pretexting is when a person gains confidential information under the pretext of being someone they are not. It is called phishing when this occurs on the Internet if someone obtains your user identification and/or passwords. Financial institutions are required to implement procedures to prevent this practice.

2003 Fair and Accurate Credit Transactions Act (FACT ACT or FACTA) – amended the FCRA to strengthen safeguards against identity theft, requires credit reporting agencies to allow consumers to obtain copies of their credit reports on an annual basis, and is enforced by the **FTC**. The entities regulated by the FACTA include consumer reporting agencies and furnishers of information to consumer reporting agencies. The FACTA has *fraud alerts, disclosure provisions, security and disposal of records, and a list of red flag rules*. The disclosure requirements include when a credit report is used in the loan qualification process then the lender must provide the credit score, the range of possible scores under the model used, any factors which adversely affected the credit score, and the date of the credit score. Also, if the borrower has questions about the credit score, then they contact the credit reporting agency or questions about the loan, then they contact the lender.

2008 Secure And Fair Enforcement for Mortgage Licensing Act (SAFE Act) - Section V of the Housing and Economic Recovery Act was signed into law on July 30, 2008 and requires a system of licensure be in place by August 1, 2009 in all states. **HUD** is the primary federal regulator **to ensure each state complies**. The SAFE Act is designed to enhance consumer protection and reduce fraud by encouraging states to establish **minimum standards**** (state laws can exceed these standards) for the licensing and registration of state-licensed mortgage loan originators and for the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators to establish and maintain a nationwide mortgage licensing system and registry for the residential mortgage industry for the purpose of providing uniform license applications and reporting requirements for state licensed-loan originators (**in Florida, it will require licensure of mortgage loan originators including loan processors and underwriters**); providing a comprehensive licensing and supervisory database; aggregating and improving the flow of information to and between regulators; providing increased accountability and tracking of loan originators; streamlining the licensing process and reducing regulatory burden; enhancing consumer protections and supporting anti-fraud measures; providing consumers with easily accessible information, offered at no charge, utilizing electronic media, including the Internet, regarding the employment history of, and publicly adjudicated disciplinary and enforcement actions against, loan originators; establishing a means by which residential mortgage loan originators would, to the greatest extent possible, be required to act in the best interests of the consumer; facilitating responsible behavior in the subprime mortgage market place and providing comprehensive training and examination requirements related to subprime mortgage lending; facilitating the collection and disbursement of consumer complaints on behalf of state mortgage regulators; and in Florida, established a recovery fund that is supported by assessments on licensees which will compensate consumers who suffer monetary losses by licensees or businesses who violate Chapter 494 F.S. It establishes a requirement for all mortgage loan originators (MLO's) **employed by federally regulated depository institutions** to be **registered** in a national database. The determining factor between state licensed MLO's and registered MLO's is **the nature of the employer**. MLO's who work for an insured depository or its owned or controlled subsidiary that is regulated by a federal banking agency (OCC, OTS, FDIC, FED, and NCUA), or for an institution regulated by the Farm Credit Administration, are registered. All other mortgage loan originators are licensed by the states. The SAFE Act requires **ONLY** state-licensed MLOs to pass a written qualified test, to complete pre-licensure education courses, and to take annual continuing education courses. The SAFE Act requires **all** MLOs to submit fingerprints to the Nationwide Mortgage Licensing System (NMLS) for submission to the FBI for a criminal background check. The SAFE Act requires state-licensed MLO's to provide authorization for the NMLS to obtain an independent credit report. The SAFE Act uses the same definition as the TILA for "dwellings" and covers all transaction on dwellings. A dwelling is a residential structure that contains 1-4 units whether or not that structure is attached to real property – includes condominiums, cooperative units, mobile homes, and trailer if used as a residence. All MLO's will receive a **Unique Identifier Number (UIN) from the NMLS** that never changes and will follow the MLO's throughout their career. Starting in July 2010, Fannie Mae and Freddie Mac will require this UIN on all loan documents including the 1003. The **NMLS** also receives and processes **fingerprints** for criminal history checks, **reviews and approves all pre-licensing education and continuing education courses**.

****Minimum standards recap**

Licensing Requirements:

MLO's must:

- Provide fingerprints for an FBI criminal history background check
- Provide authorization for NMLS to obtain a credit report
- Input and maintain their personal MLO record in the NMLS for their license in each state in which they wish to conduct loan origination activity
- Pass a national mortgage test
- Take 20 hours of pre-licensure education courses approved by NMLS (unless education certified). 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

Licensing Standards:

All state-licensed M LO's must meet the following standards:

- Never had a loan originator license revoked; and
- Has had no felonies in the past seven years; and
- Never had a felony involving fraud, dishonesty, breach of trust or money laundering; and
- Demonstrates financial responsibility and general fitness; and
- Scores 75% or better on a national test created by NMLS. 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; and
- Takes eight hours of continuing education annually. The education must include 3 hours of federal law and regulations, 2 hours of ethics, which must include fraud, consumer protection, and fair lending, 2 hours of standards on non-traditional mortgage lending; 1 hour undefined (elective); and
- Maintain licensure through NMLS.

Regulations RECAP

REGULATION	ACT	ENFORCER
Reg. B	ECOA	FTC
Reg. C	HMDA	FTC
	FACTA, FCRA, GLBA	FTC
	TCPA	FCC
	SAFE	HUD
Reg. X	RESPA	HUD

Reg. Z	TIL,HOEPA	FTC
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FORMS

HUD-1: Uniform Settlement Statement (Required by RESPA) – OMB APPROVAL NO. 2502-0265

HUD-1A: Uniform Settlement Statement – optional form for transactions without sellers

1003: Fannie Mae form -Uniform Residential Loan Application; Freddie Mac is Form 65

1004: Fannie Mae Uniform Residential Appraisal Report

1005: Fannie Mae Verification of Employment

1006: Fannie Mae Verification of Deposit

1007: Fannie Mae Single-family Comparable Rent Schedule

1008: Fannie Mae Uniform Underwriting and Transmittal Summary

1040: US Individual Income Tax return form

Schedule K-1/ Form 1065: IRS Partnership income, deductions, credits

Schedule K-1/Form 1120 IRS Corporate income, deductions, and credits

1084: Fannie Mae form for cash flow analysis

2106: IRS employee business expenses

4506 T: IRS form to verify borrower’s tax transcripts

DD 214: VA Separation of Service – shows whether Veteran was discharged honorably or not

SF 180: Request pertaining to military records – form is used to request DD 214 (OMB No. 3095-0029 Expires 10/31/2011)

Good Faith Estimate: OMB Approval No. 2502-0265

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