

New Requirements for Licensees Conducting Loan Activities

The California Department of Real Estate (DRE) announced that starting January 1, 2010 mortgage brokers and mortgage bankers will use the Nationwide Mortgage Licensing System (NMLS) for license applications and renewals. Loan originators will also begin transitioning onto the NMLS for their new individual licensing credentials required in 2010. The national data base ensures that any mortgage loan professionals moving to Illinois will be able to demonstrate competency and a record clear of disciplinary actions in any other state in the nation.

This new regulatory framework will not only bring California into compliance with the S.A.F.E. Act which was signed into law by President Bush, but is expected to greatly enhance the supervision of the mortgage industry. The NMLS will complement the comprehensive licensing system in California and will help stop bad lenders who cross state lines. The framework will also allow California mortgage companies and their professional staff to apply for and manage their license electronically. The state-licensing system must meet several minimum requirements to maintain its supervisory authority over mortgage loan originators. These requirements include having a process to prevent individuals from acting as mortgage loan originators in the state without:

- Proper license or registration,
- Criminal history and credit background checks,
- Pre-licensure education, continuing education and testing,
- Establishing and maintaining a minimum net worth and a surety bonding requirement, or paying into a State fund for defrauded consumers, and
- Abiding by the obligations of the Nationwide Mortgage Licensing System, among others.

NMLS began operations on January 2, 2008. Twenty-three states are using the system to accept and process national, uniform license applications. Licensees are able to electronically manage a single record in the Nationwide Mortgage Licensing System to apply for, amend, renew, and surrender licenses in one or more participating states.

No later than March, 2010 the DRE and the California Department of Corporations will require all companies holding California Residential Mortgage Lending Act licenses, those holding a California Financial Lending License (CFLL) and all individual loan originators (MLOL) to have a complete record in NMLS. Further transition steps, including new testing of loan originators, will follow.

The DRE has posted detailed instructions at: www.dre.ca.gov for transitioning companies, branches and individuals onto NMLS. Additional information can also be found on the California Department of Corporations website: www.corp.ca.gov/FSD/SAFE/default.asp

Complete information about the Nationwide Mortgage Licensing System, as well as how to register as well as the registration and testing process can be found online at: www.stateregulatoryregistry.org/NMLS

The outline of questions for the National Component can be found at: <http://mortgage.nationwidelicensingsystem.org/profreq/testing/Content%20Outlines/National%20SAFE%20Mortgage%20LO%20Test%20Content%20Outline.pdf>

A list of California testing centers can be found at: <http://mortgage.nationwidelicensingsystem.org/profreq/Pages/CenterLocations.aspx?state=CA>

Although individuals may register for the test on-line, the test must be taken in person.

Here is the informational timeline for compliance. The data is broken down between the California Department of Real Estate & the California Department of Corporations.

California Department of Real Estate

Pre-License Education: All new applicants on or after 1/2/2011 must have completed 20 hours of NMLS approved pre-license education. EXISTING REAL ESTATE LICENSEES will not need 20 hours of NMLS approved pre-license education if all other MLO requirements are met by 12/31/2010.

Continuing Education: All licensees must take 8 hours of NMLS continuing education in 2011 in order to renew for 2012.

“SAFE Act” MLO (mortgage loan originator) Test: All licensees must pass the National and State component of the SAFE MLO test by 12/31/2010.

Criminal Background Check: All applicants must submit fingerprints through NMLS for a criminal background check by 12/31/2010.

Credit Report: All applicants must authorize a credit report through NMLS by 12/31/2010.

California Department of Corporations (CRMLA & CFL Loan Agents)

Pre-License Education: All new applicants on or after 1/4/2010 must complete 20 hours of NMLS approved pre-licensure education by 5/28/2010.

Continuing Education: All licensees must complete 8 hours of NMLS approved continuing education in 2011 in order to renew for 2012.

“SAFE Act” MLO (mortgage loan originator) Test: All new applicants must pass the National & State component of the SAFE MLO test by 5/28/2010.

Criminal Background Check: All applicants must submit fingerprints through NMLS for a criminal background check by 5/28/2010.

Credit Report: All applicants must authorize a credit report through NMLS by 5/28/2010