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GOVERNOR

STATE OF MICHIGAN  
OFFICE OF FINANCIAL AND INSURANCE REGULATION  
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH  
STANLEY "SKIP" PRUSS, DIRECTOR

KEN ROSS  
COMMISSIONER

October 7, 2009

TO: All Mortgage Broker, Lender, and Servicer Licensees/Registrants, Loan Officer Registrants, and Interested Parties

RE: **New Loan Originator License Required July 31, 2010**

On July 27, 2009, Governor Granholm signed four Bills that pertain to the licensing of individuals that originate mortgage loans in Michigan. The new Public Acts (PA) either became effective July 31, 2009, or will take effect July 31, 2010. Individuals, including individuals that are currently registered as loan officers, will be required to comply with the requirements of the new "Mortgage Loan Originator Licensing Act" beginning July 31, 2010.

Please review this letter very carefully with your Counsel and staff, including loan officers/originators, processors, and underwriters. This letter is a brief overview of new loan originator licensing requirements, and does not address every item in the Mortgage Loan Originator Licensing Act.

### **Mortgage Loan Originator Legislation**

The new Mortgage Loan Originator Licensing Act, 2009 PA 75 (Senate Bill 462) requirements are effective July 31, 2010. Three additional Public Acts, 76 (Senate Bill 463), 77 (Senate Bill 464), and 78 (Senate Bill 465), amend the Mortgage Brokers, Lenders, and Servicers Act, 1987 PA 173, the Secondary Mortgage Loan Act, 1981 PA 125, and the Consumer Financial Services Act, 1988 PA 161 effective July 31, 2010 to align with the new Mortgage Loan Originator Licensing Act. These Public Acts can be viewed at the Michigan Legislature website at: <http://www.legislature.mi.gov/>.

### **Components of the Mortgage Loan Originator Licensing Act**

The Mortgage Loan Originator Licensing Act (MLOLA) was written to bring Michigan into compliance with the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("SAFE Act"). Failure to comply with the minimum standards set under the SAFE Act would have resulted in the Department of Housing and Urban Development establishing standards to license and regulate loan originators in Michigan.

To meet SAFE Act standards, the MLOLA includes the following:

- Licensing of state mortgage loan originators
- State licensing exemption for mortgage loan originators of depository institutions and their subsidiaries<sup>1</sup>

- Electronic application and renewal of mortgage loan originators through the Nationwide Mortgage Licensing System & Registry (NMLS&R)
- Fingerprints submitted to the NMLS&R
- FBI background history checks with results returned to the NMLS&R for State review
- Credit report checks for each loan originator
- 20 hours of pre-licensing education approved by the NMLS&R
- 8 hours of continuing education approved by the NMLS&R
- NMLS&R mortgage loan originator national and state tests, each required to be passed with a minimum score of 75%
- Surety bond for each mortgage loan originator based on volume of loans closed
- Mortgage Call report
- Reporting of enforcement actions
- Providing public access to mortgage loan originator information through the NMLS&R
- Providing consumer complaint processing through the NMLS&R
- Establishing protocols for use of a unique identifier through the NMLS&R

<sup>1</sup>Individuals who are employed by and are originating mortgage loans for depository institutions and their subsidiaries are required to register with the NMLS&R, and are not required to be State licensed.

Currently registered individuals and those intending to originate loans on or after July 31, 2010, must become licensed under the new MLOLA.

### **Meeting MLOLA Requirements**

#### **A. Existing Mortgage Loan Officer Registrant**

##### **1. *Loan Officer Registration Renewal***

An individual that is currently registered as a Michigan loan officer will need to renew his/her loan officer registration in 2009. The renewal fee that will be paid in 2009 will apply to the loan officer registration and the loan originator license for the period January 1, 2010, through December 31, 2010. The approved renewal fee to be paid in 2009 for the 2010 loan officer registration period is \$250. Please be advised that continuing education will not be required in 2009 to meet the renewal requirement. Loan officer registration renewals will be conducted through NMLS&R.

##### **2. *Loan Officer Registration to Loan Originator License Transition***

All loan officer registrations will expire on July 30, 2010; therefore, individuals will be required to transition from a loan officer registrant to a loan originator licensee on July 31, 2010. To meet transition standards, a loan officer registrant will, in addition to the requirements already met as a loan officer registrant, need to meet the following on or before July 31, 2010:

- Submit fingerprints to NMLS&R
- Credit report obtained by NMLS&R
- Complete 20 hours of NMLS&R approved pre-licensing education<sup>2</sup>
- Take and pass the NMLS&R national test<sup>3</sup>

- Submit a bond in the amount of \$10,000, \$25,000, or \$50,000<sup>4</sup>

<sup>2</sup>A loan officer registrant that previously took the required 24 hour pre-registration education course through an approved Michigan pre-registration education provider will not be required to take an additional 20 hours of NMLS&R approved pre-licensing education. All other individuals, including Michigan loan officer registrants that were previously “grandfathered” and exempt from pre-registration education will be required to meet the 20 hours of NMLS&R approved pre-licensing education.

<sup>3</sup>All individuals, including current loan officer registrants, will be required to take and pass the NMLS&R national test with a minimum 75% score. **Loan officer registrants that took and passed the Michigan loan officer registration test will not be required to take and pass the NMLS&R state test to obtain their loan originator license.**

<sup>4</sup>A surety bond is required for all loan originator licensees in the following amounts:

- \$10,000 bond is required for a new loan originator applicant, and for a loan originator licensee that during the preceding calendar year closed \$0 to less than \$12,000,000 in mortgage loans
- \$25,000 bond is required for a loan originator licensee that during the preceding calendar year closed \$12,000,000 to less than \$24,000,000 in mortgage loans
- \$50,000 bond is required for a loan originator licensee that during the preceding calendar year closed \$24,000,000 or more in mortgage loans

## **B. New Mortgage Loan Officer Applicants Prior to July 31, 2010**

Individuals intending to originate mortgage loans in Michigan prior to July 31, 2010, will still be required to apply for and obtain a mortgage loan officer registration. The following requirements are still the same to obtain a loan officer registration:

- Fingerprints obtained through L1; submitted to Michigan State Police and FBI; results returned to employer
- Complete 24 hours of in-Michigan live pre-registration education<sup>5</sup>
- Take and pass the Michigan loan officer registration test<sup>6</sup>
- Loan officer registration application submitted through NMLS
- Paper Michigan form FIS 2080 submitted to OFIR
- \$350 loan officer registration fee for applications submitted prior to January 1, 2010. The registration fee is reduced to \$250 beginning January 1, 2010, for calendar licensing year 2010.

<sup>5</sup>An individual may take the NMLS&R approved pre-license course; however, 24 hours is required, and the course must be a live course taught in Michigan. The NMLS&R approved pre-license course will meet Michigan’s prelicensure education requirement effective July 31, 2010, for a loan originator license.

<sup>6</sup>Beginning October 22, 2009, an individual may take the NMLS&R national and the NMLS&R Michigan state tests. By passing each test with a minimum score of 75%, the individual will meet Michigan’s loan officer registration requirement and the loan originator license requirement effective July 31, 2010.

### **C. New Mortgage Loan Originator Applicants Beginning July 31, 2010**

The new loan originator licensure requirements are as follows:

- Complete 20 hours of pre-licensing education approved by the NMLS&R<sup>7</sup>
- Pass the NMLS&R mortgage loan originator national and state tests with a minimum score of 75%<sup>8</sup>
- Loan originator license application submitted through NMLS&R
- \$350 loan originator application fee
- Fingerprints submitted to NMLS&R, who will submit them to the FBI
- FBI background history check results will be returned to the NMLS&R for State review
- Credit report check for each loan originator obtained by NMLS&R
- Surety bond submitted by individual or surety bond submitted by employer. Surety bond is based on volume of loans closed
- Mortgage Call Report submitted electronically through NMLS&R

<sup>7</sup>Completing 20 hours of pre-licensing education approved by the NMLS&R will meet the requirement for all participating states (exception: if a state requires more than 20 hours of pre-licensing education)

<sup>8</sup>An individual will only need to take and pass the NMLS&R national test once to meet the requirement for all states.

**Please note that the MLOLA requires a *loan processor* or an *underwriter* who is an independent contractor to obtain and maintain a loan originator license.**

#### **Exemptions**

Unless specifically exempted under Section 5(2) of the MLOLA, beginning July 31, 2010, an individual shall not engage in the business of a mortgage loan originator with respect to any dwelling located in this state without first obtaining and maintaining annually a mortgage loan originator license. The MLOLA specifically exempts to the following:

- A registered mortgage loan originator when the individual is an employee of and originating mortgage loans on behalf of a depository institution, a subsidiary of a depository institution, or an institution regulated by the Farm Credit Association.
- An individual who offers or negotiates terms of a residential mortgage loan with or on behalf of an immediate family member of that individual.
- An individual who offers or negotiates terms of a residential mortgage loan secured by a dwelling that served as his or her residence.
- A licensed attorney who negotiates the terms of a residential mortgage loan on behalf of a client as an ancillary matter to the attorney's representation of the client, unless the attorney is compensated by a lender, mortgage broker, or other mortgage loan originator or by any agent of a lender, mortgage broker, or other mortgage loan originator.

The MLOLA states under Section 5(5) that an individual engaged in the business of a mortgage loan originator is not required to obtain and maintain a license under this act until July 31, 2011, if that individual is employed exclusively by a mortgage servicer; if that individual is authorized

to perform loan modification activities concerning existing residential mortgage loans, and not to originate new residential mortgage loans or perform any other activities of a mortgage loan originator, on behalf of that mortgage servicer; and if this extension of time is not inconsistent with any guideline, rule, regulation, or interpretative letter of the United States Department of Housing and Urban Development (HUD) concerning the interpretation of the SAFE act and its applicability to loan modification activities.

Additional instruction and information is available on the NMLS&R website - [www.stateregulatoryregistry.org](http://www.stateregulatoryregistry.org).

If you have any questions concerning this letter, please contact the Consumer Finance Licensing Unit toll free at (877) 999-6442, or you can contact Senior Analysts Brandye Sedelmaier at [sedelmaierb@michigan.gov](mailto:sedelmaierb@michigan.gov) or Deb Smith at [smithd39@michigan.gov](mailto:smithd39@michigan.gov).

Sincerely,

/s/

Ken Ross  
Commissioner