

# SAFE Mortgage Loan Originator Test National Component Content Outline

**\*\*PLEASE READ CAREFULLY\*\***

## Legislative Updates

Legislative changes may occur throughout the test administration cycle. Candidates should answer test questions based on the current statutes, regulations and rules.

Candidates are responsible for keeping abreast of changes made to the applicable statutes, regulations and rules regardless of whether they appear on this outline or the test. The outline is not intended to list every aspect of a topic mentioned. Although the test items are developed from these categories, each topic is not necessarily tested on each examination.

## STRUCTURE OF THE SAFE MLO Test

The test consists of 125 multiple-choice items (115 scored test questions; 10 unscored test questions), which are distributed among the five major content areas listed in the table below.

References can be found at the top of page 17.

Content Area	Percentage of Test
Federal Mortgage-Related Laws	23%
General Mortgage Knowledge	23%
Mortgage Loan Origination Activities	25%
Ethics	16%
Uniform State Content	13%

## **I. Federal Mortgage-Related Laws (23%)**

### **A. Real Estate Settlement Procedures Act (RESPA), 12 CFR Part 1024 (Regulation X)**

1. Subtopics
  - a. RESPA origins and purpose
  - b. Definition of “mortgage broker”
  - c. Knowledge of the prohibitions, limitations and exemptions set by RESPA
  - d. Types of loans to which RESPA is applicable
  - e. Settlement services
  - f. Required disclosures to the customer for an MLO who is also a broker
  - g. Bona fide discount points and application during a mortgage loan origination
  - h. Required information from a borrower that must be included on an application (Regulation X)
  - i. Knowledge of third party settlement service providers
  - j. Overview of the foreclosure process
  - k. Initial escrow statements
  - l. Changes that can be made to the HUD-1/Good Faith Estimate
  - m. Issuing a Good Faith Estimate when not all information has been provided

### **B. Equal Credit Opportunity Act (ECOA), 12 CFR Part 1002 (Regulation B)**

1. Subtopics
  - a. Factors that cannot be used to discriminate
  - b. Notifying borrower of action taken

- c. General permissible acts under the Equal Credit Opportunity Act
- d. Circumstances when it is acceptable to deny credit/loan
- e. Components of a “notice of adverse action”
- f. Definition of “adverse action”
- g. General provisions of Regulation B
- h. Exceptions to providing the appraisal report
- i. “Prohibited Factors”
- j. Required disclosures when an application is denied
- k. Acceptable terms used to describe marital status
- l. Adverse action notice, including when multiple applicants/guarantors are on the loan request
- m. Definition of “elderly”
- n. “Disparate treatment” scenarios
- o. Record retention timelines
- p. Requirement for a co-signer
- q. Factors considered when determining creditworthiness
- r. Types of acceptable income considered in a loan review
- s. Requests for missing application information
- t. Adverse action scenarios
- u. Information required on a loan application
- v. Adverse action characteristics
- w. Timeframe for sending an adverse action to an applicant
- x. Actions an MLO should take when a borrower refuses to provide ethnic, race or gender information

### **C. Truth-in-Lending Act (TILA), 12 CFR Part 1026 (Regulation Z)**

- 1. Subtopics
  - a. “Notice of right to rescind”
  - b. Permissible fees and finance charges
  - c. Advertisement requirements
  - d. Knowledge of the core concepts of the Truth-in-Lending Act
  - e. Total points and fee threshold
  - f. Definition of “finance charge”
  - g. Definition of “annual percentage rate”
  - h. Loans covered by the Truth-in-Lending Act
  - i. Definition of “business day”
  - j. Permissible annual percentage rate tolerances
  - k. Definition of “dwelling”
  - l. Definition of “residential mortgage loan”
  - m. Definition of “business day” in a mortgage rescission
  - n. Record retention timeframes
  - o. Classifying “seller contributions”
  - p. Refinancing scenarios with rights to rescind certain types of transactions
- 2. Home Ownership and Equity Protection Act, High-Cost Mortgages, HOEPA Section 32, 12 CFR 1026
  - a. Minimum term for a balloon payment
  - b. Examples of “covered loans”
  - c. What is allowed under HOEPA
  - d. Limitations on broker fees
  - e. Entity that enforces HOEPA
  - f. Types of loans/lines of credit subject to HOEPA
- 3. Higher Priced Mortgage Loans (12 CFR 1026.35)
  - a. Definition of “high priced/cost mortgage”

- b. Prohibitions within “high priced” mortgages
  - c. Refinance mortgage loans
4. Loan Originator Compensation (12 CFR 1026.36(d))
    - a. MLO compensation basis
    - b. The rules for who may compensate an MLO

#### **D. TILA-RESPA Integrated Disclosure Rule (TRID) (a.k.a. “Know Before You Owe”)**

1. Subtopics
  - a. Prohibitions on discrimination
  - b. Disclosure timeframes
  - c. Section on disclosure where origination charges are reflected
  - d. Affiliated Business Disclosure Special Information Booklet
  - e. Borrower information included on Regulation Z
  - f. Record retention
  - g. Required disclosures
  - h. Timing of disclosures provided to an applicant
  - i. Types of permissible fees and finance charges
  - j. Circumstances under which a Loan Estimate may be amended
  - k. General information about the TILA-RESPA Disclosure Rule
  - l. Examples of “change of circumstance”
  - m. Borrower information that is included on an application
  - n. Information that must be disclosed to consumers upon request
  - o. Explanation of an annual percentage rate
  - p. Party required to provide the Loan Estimate
  - q. Types of loans covered under TILA
  - r. Actions an MLO must take when there is incomplete information on a TRID disclosure
  - s. Scenario violations of TRID
  - t. A borrower’s right to rescission
  - u. Definition of loan consummation
  - v. Information that must be disclosed on a Loan Estimate
  - w. Facts about Loan Estimate
  - x. Informing a borrower of other loan considerations
  - y. Charges/fees disclosed
  - z. Information included on a Closing Disclosure
  - aa. Information that must be disclosed in an annual escrow statement
  - bb. Acceleration definition
  - cc. The right to receive an appraisal report

#### **E. Other Federal Laws and Guidelines**

1. Home Mortgage Disclosure Act (HMDA), 12 CFR Part 1003 (Regulation C)
  - a. Mortgages in reportable data
  - b. HMDA definition of “dwelling”
  - c. Information included in borrower data
  - d. Information that a borrower must include on an application
  - e. Information about which an MLO should not inquire
  - f. Information provided by the borrower regarding the right of refusal
2. Fair Credit Reporting Act (FCRA)/Fair and Accurate Credit Transactions Act (FACTA) 15 USC § 1681 et seq.
  - a. Definition of a “fraud alert”
  - b. Information included in a “consumer report”
  - c. Permissible times when a credit report may be accessed
  - d. Requirement to develop policies and procedures regarding identity theft

- e. Definition of “creditor”
  - f. Information included in a FACTA disclosure
  - g. Length of time a bankruptcy will show on a credit history
  - h. Credit score evaluation methods
3. FTC Red Flag rules, 16 CFR Part 681
    - a. Parties subject to “red flag” rules
    - b. Enforcement authority for “red flag” rules
  4. Bank Secrecy Act/Anti-Money Laundering (BSA/AML)
    - a. Requirement that companies protect consumer information
    - b. Facts about Suspicious Activity Reports (SARs)
    - c. Circumstances that require filing a SAR
    - d. SAR privacy requirements
  5. Gramm-Leach-Bliley Act (GLB) – Privacy, FTC Safeguard Rules and Do-Not-Call
    - a. Non-public information regarding a customer
    - b. Permissible use of non-public information regarding a customer
    - c. Purpose of Act
    - d. Requirement for written privacy policy disclosures
    - e. Acceptable delivery methods for a privacy notice
    - f. Permissible hours for telephone calls
    - g. Written policies for maintaining Do-Not-Call lists
    - h. Precautions to protect customer information
    - i. Purpose of the National Do-Not-Call Registry
    - j. Permissible solicitation scenarios
    - k. Do-Not-Call request
    - l. Retention of information after a solicitation
  6. Mortgage Acts and Practices – Advertising, 12 CFR Part 1014 (Regulation N)
    - a. Advertisements referring to specific credit terms
    - b. Length of time required to retain advertisements
    - c. Information required to be included in an advertisement
    - d. Triggering terms that require additional disclosure
    - e. Violations of the Act
  7. Electronic Signature in Global and National Commerce Act (E-SIGN Act)
    - a. Required E-SIGN disclosures
    - b. Borrower’s consent regarding access to information in electronic format
    - c. Requirements for maintaining records in electronic format
    - d. Ways to verify a borrower’s identity
  8. USA PATRIOT Act
    - a. Primary purpose of the Act
    - b. Major functions of the Act
    - c. Confidential nature of filing reports
    - d. Ways to verify a borrower’s identity
    - e. Parties subject to the Act
    - f. Requirement to have a Customer Identification Program in place and verifying the identities of borrowers
  9. Homeowners’ Protection Act (Private Mortgage Insurance (PMI) Cancellation Act)
    - a. Major functions of the Act
    - b. Documents that must be provided to a borrower at loan consummation
  10. Dodd-Frank Act
    - a. Re-financing situations
    - b. Law oversight over TRID

- c. Independent appraisal requirements

## **F. Regulatory authority**

1. Consumer Financial Protection Bureau (CFPB)
  - a. Federal oversight of the CFPB
  - b. Functions performed by the CFPB
  - c. CFPB oversight authority
  - d. Filing complaints with CFPB
2. Department of Housing and Urban Development (HUD)
  - a. Primary function of HUD
  - b. Programs offered by HUD
  - c. Number of housing agencies required to be listed on the housing counseling disclosure
  - d. Types of loans that trigger the requirement for a counseling agency to consult with a borrower
  - e. Entities that HUD oversees
  - f. Fair Housing Law Protections (e.g., health status, etc.)

## **II. General Mortgage Knowledge (23%)**

### **A. Qualified and Non-Qualified Mortgage programs**

1. Subtopics
  - a. Features of a “qualified mortgage”
  - b. Allowable points and fees for qualified mortgages
  - c. Information used to determine whether a loan is “qualified”
  - d. Annual percentage rates that make a mortgage “qualified”
  - e. Categories of qualified mortgages
2. Conventional/conforming (e.g., Fannie Mae, Freddie Mac)
  - a. Responsibilities of Fannie Mae
  - b. Limits on closing cost concessions
  - c. Fee charges on loans with certain risk characteristics
  - d. Fannie Mae/Freddie Mac’s automated underwriting systems
  - e. Requirements when purchasing a non-owner occupied rental property
  - f. Acceptable down payment amounts
  - g. Hazard insurance requirements
  - h. Pre-payment requirements
3. Government (e.g., FHA, VA, USDA)
  - a. Definition of “FHA Mortgage”
  - b. Facts about FHA loans
  - c. Definition of “FHA”
  - d. Facts about VA loans
  - e. Prohibition on mortgage insurance
  - f. FHA interest rate calculation scenarios
  - g. Types of government guarantors
  - h. Definition of “entitlement”
  - i. Certificate eligibility requirement
  - j. Acceptable funds for a down payment/closing costs
  - k. Properties eligible for FHA purchase transactions
  - l. FHA loan limits
  - m. VA funding fees
  - n. Upfront mortgage insurance premiums

- o. Residual income qualification test
  - p. Required documentation
  - q. Monthly mortgage insurance payment scenarios
  - r. Minimum down payment for an FHA loan
4. Conventional/nonconforming (e.g., Jumbo, Alt-A)
    - a. Facts on “jumbo loans”
    - b. Definition of “non-conforming” loan
    - c. Examples of “non-traditional loans”
    - d. Requirements for an escrow account associated with a “high priced loan”
    - e. Requirements for an escrow account associated with a “high cost loan”
    - f. Statement on Subprime Lending
      - i. Definition of “payment shock”
      - ii. Definition of “subprime”
      - iii. Characteristics of ARM loans
      - iv. Definition of a debt-to-income ratio assessment
      - v. Examples of credit risk characteristics
      - vi. Scenarios to determine when a balloon loan may be appropriate for a borrower
      - vii. Characteristics of subprime borrowers
      - viii. Characteristics of a subprime mortgage
        - a) Stated income loans
        - b) Non-income verifying loans
    - g. Guidance on Nontraditional Mortgage Product Risk
      - i. Characteristics of a non-traditional mortgage loan
      - ii. Risks of non-traditional mortgage products
      - iii. Re-payment capacity of a borrower
      - iv. Identifying the right non-traditional mortgage product for borrowers
      - v. Communications with consumers regarding non-traditional mortgage products
    - h. Non-qualified mortgage (Non-QM)
      - i. Features of a non-qualified mortgage
      - ii. Types of non-qualified mortgages

## **B. Mortgage loan products**

1. Subtopic
  - a. Purchase Money Second Mortgages
2. Fixed
  - a. Characteristics of a fixed-rate mortgage
  - b. Comparisons of types of loans (scenarios)
  - c. Situations that affect a fixed-rate mortgage payment
  - d. Percentage of pay down required to lessen monthly payments
  - e. Fixed-rate mortgage loan with escrow
3. Adjustable
  - a. Payment options for an adjustable-rate mortgage
  - b. Facts on margin with respect to adjustable-rate mortgages
  - c. Facts on the index with respect to adjustable-rate mortgages
  - d. Definition of “fully indexed rate”
  - e. Examples of adjustable-rate mortgages
  - f. Scenarios resulting in a change in monthly payments
  - g. Facts on ARM loans
  - h. Fully indexed rate scenarios
  - i. Scenarios reflecting payments increasing/decreasing on “change date”
  - j. Timeline for notifying a customer of a rate change

- k. Factors when determining interest rates
  - l. Calculating a borrower's monthly payment
4. Balloon mortgage loan products
    - a. Facts about balloon mortgages
    - b. Types of balloon mortgages
    - c. Lender requirements
    - d. Scenarios to determine when a balloon loan may be appropriate for a borrower
  5. Reverse mortgage
    - a. Facts on reverse mortgages
    - b. Timeline for calculating interest on home equity conversion mortgage loans
    - c. Payments required after closing on a conversion mortgage loan
    - d. Age requirements for conversion mortgages
    - e. Amount of title insurance
    - f. Facts on "construction-to-permanent" financing programs
    - g. Permissible percentage of total equity allowed for withdrawal
    - h. Scenarios that cause the full balance to become due
    - i. Requirements of reverse mortgage advertisements
    - j. Required disclosures
  6. Home Equity Line of Credit (HELOC)
    - a. Examples of open-ended credit loans
    - b. Characteristics of a HELOC
  7. Fundamentals of Construction Mortgages
    - a. Definition of "construction loan"
    - b. Classifying the disclosure of financing by the same creditor when constructing a home
    - c. Required payments on a construction loan
  8. Interest-only Mortgages
    - a. Facts about interest only loans
    - b. Facts on interest only payments
    - c. Facts on interest only mortgages
  9. Other mortgage products

### **C. Terms used in the mortgage industry**

1. Loan terms
  - a. Junior liens
  - b. Subordinate loans
  - c. Escrow accounts
  - d. High priced mortgages
  - e. Table funding
  - f. Rate lock agreement
  - g. Tolerances
  - h. Legal title granted via a mortgage
  - i. Types of mortgages a lender cannot be forced to repurchase
  - j. Facts on liens
  - k. Delinquent loan
  - l. High cost loans
  - m. Early payment default
2. Disclosure terms
  - a. Yield spread premiums
  - b. High interest rates

- c. Federal mortgage loans
  - d. Qualified mortgage
  - e. Servicing transfers
  - f. Lender credits
3. Financial terms
    - a. Discount points
    - b. 2-1 Buy-down
    - c. Accrued interest
    - d. Loan-to-value ratio
    - e. Settlement
    - f. Finance charges
    - g. Loan discount point
    - h. Debt ratio
    - i. Daily simple interest
    - j. Premium pricing
    - k. Lender credit
  4. General terms
    - a. Subordination
    - b. Conveyance
    - c. Cash out refinance
    - d. Pre-paids
    - e. Underwriting
    - f. Secondary market
    - g. Third party providers
    - h. Primary mortgage market
    - i. Non-traditional mortgages
    - j. Consumer credit
    - k. Mortgage lender
    - l. Mortgage investor
    - m. Loan payment collection
    - n. Assumable loan
    - o. Examples of origination service
    - p. Assigned loan
    - q. Payment shock
    - r. Annual Percentage Rate (APR)
    - s. Average Prime Offer Rate (APOR)

### III. Mortgage Loan Origination Activities (25%)

#### A. Loan Inquiry and Application Process Requirements

1. Subtopics
  - a. Information on Form 1003
  - b. Percentage of bank account assets attributable toward a loan application
  - c. Handling credit report discrepancies
  - d. Acceptable gift donors
  - e. Information provided to a borrower in response to a loan inquiry
2. Loan Inquiry Process
  - a. Required disclosures that must be provided to a borrower in response to a loan inquiry
  - b. Application accuracy and required information on an application (e.g., name, SSN, address of property to be financed, estimated property value, income, loan amount)
  - c. Permissible questions on an application



3. Application Process
  - a. Questions on a Borrower Application
    - i. How MLOs accept loan applications
    - ii. Offering and negotiating the terms of a loan
    - iii. How MLOs manage information on an application
    - iv. Service charges subject to 10% tolerance
  - b. Verification and documentation
    - i. Forms used to authorize the release of information
    - ii. Methods of verifying income and assets
      - a) Percentage of bank account assets attributable toward a loan application
    - iii. Methods of verifying employment
4. Suitability of products and programs
  - a. Reflecting the type of loan on a mortgage application
5. Disclosures
  - a. Subtopics
    - i. Information included in the Truth-in-Lending disclosure
    - ii. Disclosures on Loan Estimates
    - iii. Adjustable-rate mortgage loan disclosures
    - iv. Consumer Handbook on ARMs (CHARM booklet)
    - v. Required disclosures
    - vi. Reverse mortgages
  - b. Accuracy (e.g., tolerances)
    - i. Scenarios and which allowable tolerance
    - ii. Service charges subject to a 10% tolerance
  - c. Timing
    - i. Timing of notification of action taken
    - ii. Timing of early disclosures
    - iii. Loan Estimate
      - a) Timeline of when a Loan Estimate must be provided
      - b) Expiration of charges and terms in a Loan Estimate
      - c) Time from Loan Estimate to loan consummation
      - d) Exceptions to providing the Loan Estimate
      - e) Reissuing a Loan Estimate
      - f) Time period for the delivery of the Affiliated Business Disclosure
      - g) Time period for the delivery of the Special Information Booklet (Know Before You Owe)
      - h) Timeframe for the consideration for settlement charge before the expiration
      - i) Timing of the reissuing Loan Estimates
      - j) Timeline of the initial Loan Estimate disclosure
      - k) Timing of providing the appraisal report
      - l) Timing of tolerance corrections
    - iv. Sending a list of counseling services
      - a) Shopping
    - v. Valid reasons for a Change in Circumstance
    - vi. Delivery Method
      - a) Electronic
      - b) Face-to-Face
      - c) Standard Mail
      - d) Overnight Delivery
    - vii. Closing Disclosure

- a) When applicants are entitled to advance inspection of a closing
  - b) Initial Closing Disclosure
  - c) Timing of Disclosures
  - d) Final Closing Disclosure
  - e) Timeframe of providing an updated closing disclosure
  - f) Definition of a business day for delivery purposes
- viii. Homeownership Counseling Disclosure

## **B. Qualification: processing and underwriting**

1. Borrower analysis
  - a. Assets
    - i. Acceptable assets that may be used for a down payment
    - ii. Types of asset classifications
    - iii. Assets permissible to be used toward reserve funds
    - iv. Actions not permitted with respect to Verification of Deposits
  - b. Liabilities
    - i. Liabilities listed on a loan application
    - ii. Types of liabilities
  - c. Income
    - i. Documentation required for a self-employed applicant
    - ii. Utilizing capital gains income on an application
    - iii. Types of applicable incomes types for loan qualification
    - iv. Social security and/or disability income that may be applied toward a loan analysis or as qualifying income
    - v. Documentation of work history and income when there has been an absence in employment over 3 years
    - vi. Calculating monthly income
  - d. Credit report
    - i. Information included on a credit report
    - ii. Factors used in determining a credit score
  - e. Qualifying ratios
    - i. Definition of “capacity”
    - ii. Factors when calculating the expense-to-income ratio
    - iii. Loan to value ratios
    - iv. Calculating the debt-to-income ratio
      - a) Calculating the housing to income ratio
      - b) Calculating the total debt ratio
  - f. Ability to Repay
    - i. Factors taken into consideration when reviewing an applicant’s ability to repay a loan
    - ii. Methods of verifying income/assets
    - iii. Determining a borrower’s ability to repay
    - iv. Allowable debt to income ratio at loan consummation
    - v. Safe harbor provisions and scenarios
    - vi. Ability to repay scenarios
  - g. Tangible net benefit
  - h. Occupancy types
  - i. Verification of Deposit scenarios
2. Appraisals
  - a. Purpose of appraisals
  - b. Market approach
  - c. Income approach

- d. Cost approach
  - e. Market data approach
  - f. Using comparable information to establish values
  - g. Requirement/timeline to inform applicant of the right to receive an appraisal
  - h. Facts on appraisals
  - i. Definition of “appraisal”
  - j. Appraisal requirement with a high-risk mortgage
  - k. Definition of “appraiser”
3. Title report
    - a. Obtaining title reports
    - b. Timing of title reports and commitments
    - c. Preliminary Title Reports
  4. Insurance
    - a. Flood Insurance
      - i. Flood insurance requirements
      - ii. Designates zones for flood insurance
      - iii. Limits of flood insurance
    - b. Private Mortgage Insurance
      - i. Purpose of private mortgage insurance
      - ii. Benefits of private mortgage insurance
      - iii. Facts on private mortgage insurance and ratios
      - iv. Requirement guidelines to ending private mortgage insurance
      - v. Loan to value ratio that triggers private mortgage insurance
    - c. Hazard/Homeowner Insurance
      - i. Forced-placed insurance

### **C. Closing**

1. Title and title insurance
  - a. Title insurance coverage
  - b. Priority in multiple mortgage scenarios
  - c. Definition of “easement”
  - d. Encumbrances
  - e. Reconveyance
2. Settlement/Closing agent
  - a. Borrower/Seller’s ability to review the HUD-1 Settlement Statement
  - b. Eligible signatures on the security instrument
  - c. Use of a Power of Attorney (POA)
3. Explanation of fees
  - a. Fees/charges listed on HUD-1 Settlement Statement
  - b. Title insurance fees
  - c. Pre-paid fees
  - d. Types of escrow expenses
  - e. Examples of origination fees
  - f. Loan origination fees
4. Explanation of documents
  - a. Required documents at a closing
  - b. Required documents when using a property as collateral
  - c. Note disclosures on a loan
  - d. Assumption clauses
  - e. Providing the escrow analysis statement
5. Funding

- a. When does a rescission period end?
- b. Funding regarding rescission periods

#### **D. Financial calculations used in mortgage lending**

1. Periodic interest
  - a. Interest rate calculation scenarios
  - b. General facts
  - c. Interest per diem facts
2. Payments
  - a. Calculation scenarios for mortgage insurance
  - b. Calculation scenarios for interest rates
  - c. Calculation scenarios for monthly payments
  - d. Calculation scenarios for loan amounts
  - e. Effect of escrow on mortgage
  - f. Order of payments and importance of payments to the underwriting of loan
  - g. Closing Disclosure information
3. Down Payment
  - a. Calculating down payment amounts/percentages
4. Loan-to-value ratios
  - a. Loan-to-value ratio calculation scenarios
5. Debt-to-income ratios
  - a. Debt ratio calculation scenarios
  - b. Factors in calculating debt ratios
6. Discount Points: Fixed interest rate buy-downs
  - a. Permanent note
  - b. Definition of “discount point”
  - c. Discount point calculation scenarios
  - d. Purpose of discount points
7. Closing costs and prepaid items
  - a. Closing costs/pre-paid items calculation scenarios
  - b. Hazard insurance collection
8. ARMs (e.g., fully indexed rate)
  - a. Interest rate adjustment calculation scenarios
  - b. Payment adjustment calculation scenarios
9. Qualified Mortgage monthly payment calculations
  - a. Calculating the debt-to-income ratio

### **IV. Ethics (16%)**

#### **A. Ethical issues**

1. Violations of law
  - a. Violations of Graham-Leach-Bliley Act
2. Prohibited acts
  - a. Examples of “redlining”
  - b. Acceptable/non-acceptable practices under RESPA
  - c. Examples of prohibited acts
  - d. Requests for personal information
  - e. Examples of “kickbacks”

- f. Duties a loan processor may/may not perform
- 3. Fairness in lending
  - a. Definition of a referral and the required associated disclosures, if necessary
  - b. Coercion scenarios
  - c. Scenarios where the appraiser has a conflict of interest
  - d. Discriminating against an applicant
  - e. Requirement to treat all applicants with the same level of fairness
- 4. Fraud detection
  - a. Asset fraud
  - b. Red flags on a sales contract
  - c. Application red flags
  - d. Verifying loan application information
  - e. Occupancy fraud
  - f. Income fraud
  - g. General red flags that could represent fraud
  - h. Scenarios surrounding a consumer's bank activity
  - i. Scenarios where information is not provided to a borrower
  - j. Employment fraud
  - k. Liability fraud
  - l. Suspicious activity
- 5. Advertising
  - a. Scenarios where information is misleading within an advertisement
  - b. Bait and switch scenarios
  - c. Performing a due diligence review of advertisements prior to publication
  - d. Scenarios where "unfair, deceptive, or abusive acts" are undertaken
  - e. Examples of lawful advertising
  - f. Types of advertisements that are subject to federal regulations
  - g. Rules surrounding contact (e.g., "Established business relationship")
- 6. Predatory lending and steering
  - a. Definition of "steering"
  - b. Scenarios surrounding the proper designations of loans and property types

## **B. Ethical behavior related to loan origination activities**

- 1. Financial responsibility
  - a. Permitted fees, payments, and compensation (e.g., Loan Estimate)
  - b. Fees that may not increase due to changed circumstances
  - c. How fees are handled based on the Loan Estimate
  - d. Closing cost scenarios
  - e. Settlement scenarios where monies are missing or misused
  - f. Scenarios surrounding referral fees
  - g. Splitting fees
- 2. Handling borrower complaints
- 3. Mortgage company compliance
  - a. Acceptable practices when acting on behalf of a lender
  - b. Acceptable practices regarding appraisals
  - c. Scenarios when an MLO discovers material information that should be conveyed to the lender
  - d. Scenarios surrounding the information supplied by employers
  - e. Requirements for MLOs
- 4. Relationships with consumers

- a. Ethical handling of a customer's personal information
  - b. Down payment scenarios
  - c. Interest rate adjustment scenarios
  - d. Power of Attorney (POA) scenarios
  - e. Permissible reasons for requesting a credit report
  - f. Scenarios of notifying the underwriter of a change in the borrower's application or status
  - g. Proper disclosures by MLO if there is a potential conflict of interest
  - h. Scenarios surrounding situations with borrower's and co-borrower's
  - i. Permissible acts regarding the appraisal of a client's property
  - j. Scenarios surrounding situations with borrower's undisclosed income
  - k. Permissible acts after discovering deposits inconsistent with borrower's income included on application
  - l. Scenarios involving a gift received by the borrower
  - m. Scenarios of notifying a loan officer if a borrower has applied with other companies for additional mortgages
  - n. Scenarios surrounding a borrower providing information on income
  - o. Cybersecurity scenarios
- 5. Truth in marketing and advertising
    - a. Permissible statements/phrases within an advertisement
  - 6. Borrower education
  - 7. General business ethics
    - a. Scenarios where borrower has provided false information
    - b. Scenarios where borrower is seeking advice
    - c. Scenarios where the MLO is falsifying information on behalf of a borrower
    - d. Providing suitable unsolicited advice to a borrower
    - e. Scenarios where outside parties/individuals to the loan, attempt to obtain information on a loan or about a borrower

## V. Uniform State Content (13%)

### A. SAFE Act and CSBS/AARMR Model State Law

- 1. State mortgage regulatory agencies
  - a. Regulatory authority
    - i. Regulatory power
    - ii. Creation and purpose of the NMLS Registry
    - iii. Frequency of investigations and exams
    - iv. CFPB authority to conduct exams
    - v. Continuing education requirements
    - vi. Unique identifiers for MLOs
    - vii. CFPB penalty limits
    - viii. CFPB Loan Originator Rule
    - ix. Authority of state regulator (e.g., audit)
  - b. Responsibilities and limitations
- 2. Definitions and Documents
  - a. NMLS
  - b. SAFE Act
  - c. Documents to be filed for public record
- 3. License Law and Regulation
  - a. Minimum requirements for state licensing laws
  - b. Persons required to be licensed

- i. Services conducted by MLOs and the requirement to be licensed
    - ii. Entities required to use MLOs
    - iii. Allowable acts by underwriters
    - iv. Clerical/support duties
    - v. Loan processors
  - c. Business that individuals may/may not conduct without being licensed as an MLO license
    - i. General business
    - ii. Non-profit institutions
    - iii. Business purpose loans (e.g., commercial, non-owner)
  - d. Licensee qualifications and application process
    - i. Pre-licensing education requirements
    - ii. Background checks
    - iii. Requirements to becoming an MLO
    - iv. Managing felony charges
    - v. Waiting period for test retakes
    - vi. Sponsorship requirement
    - vii. "MLO" and the requirement to be licensed with a state
  - e. Grounds for denying a license
    - i. Reasons for denying an applicant
  - f. License maintenance
    - i. Continuing education requirements
    - ii. Renewal period
    - iii. License renewal lengths and minimum standards
    - iv. Continuing education courses approvals
    - v. Withholding a record
    - vi. Requirements to retake exam if individual has been absent from industry
    - vii. Requirement to maintain an active license
    - viii. Required continuing education hours completed to renew a license
  - g. NMLS requirements
    - i. Change of employment and updating NMLS
    - ii. Required submissions that applicants must make to the NMLS system
    - iii. Required disclosures to NMLS
    - iv. Requirement to publicly display an NMLS identifier
    - v. Requirement to include the NMLS identifier in certain situations
    - vi. Licensed non-depository employees vs registered depository employees in NMLS
- 4. Compliance
  - a. Authority to examine licensee's books and records
  - b. Prohibited conduct and practices
    - i. Prohibited acts
    - ii. Requirement to obtain a unique identifier
    - iii. Investigations by state agencies
  - c. Required conduct
    - i. Individual responsible for providing documents during a complaint investigation
    - ii. Required information to be maintained in a loan file
    - iii. Assumable mortgage loan products
    - iv. Penalties assessed for failure to conduct certain duties
    - v. Permissible acts
    - vi. Timeline for submitting books and records to a state regulator
    - vii. General scenarios regarding mortgage loan origination
    - viii. Required information on loan documents

- ix. Record retention requirements
- d. Advertising
  - i. Requirement to include NMLS unique ID in advertisements



## National Test Component Reference List

NOTE: The following is a list of the sources used in the development of the National Test Component. It is not intended to be an all-inclusive list, but may be used as a guide in preparing to take the test.

- 12 USC 2601 – REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)  
<http://www.federalreserve.gov/boarddocs/supmanual/cch/200601/respa.pdf>
- 12 CFR 1024 – RESPA (REG X)  
[http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=b26a58aaec204931ff0e1f078187bd52&tpl=/ecfrbrowse/Title12/12cfr1024\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=b26a58aaec204931ff0e1f078187bd52&tpl=/ecfrbrowse/Title12/12cfr1024_main_02.tpl)
- 12 CFR 1002 – EQUAL CREDIT OPPORTUNITY ACT - ECOA (REGULATION B)  
[http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&sid=42e4972f92e85003517c9dc4c0f45d9f&tpl=/ecfrbrowse/Title12/12cfr1002\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&sid=42e4972f92e85003517c9dc4c0f45d9f&tpl=/ecfrbrowse/Title12/12cfr1002_main_02.tpl)
- 12 CFR 1026 – TRUTH-IN-LENDING ACT (TILA - REG Z)
  - [http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=b26a58aaec204931ff0e1f078187bd52&tpl=/ecfrbrowse/Title12/12cfr1026\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=b26a58aaec204931ff0e1f078187bd52&tpl=/ecfrbrowse/Title12/12cfr1026_main_02.tpl)
  - [http://files.consumerfinance.gov/f/201305\\_compliance-guide\\_home-ownership-and-equity-protection-act-rule.pdf](http://files.consumerfinance.gov/f/201305_compliance-guide_home-ownership-and-equity-protection-act-rule.pdf)
  - [http://files.consumerfinance.gov/f/201401\\_cfpb\\_tila-hpml-escrow\\_compliance-guide.pdf](http://files.consumerfinance.gov/f/201401_cfpb_tila-hpml-escrow_compliance-guide.pdf)
  - <http://www.consumerfinance.gov/regulations/loan-originator-compensation-requirements-under-the-truth-in-lending-act-regulation-z/>
- 12 CFR 1024 1026 – INTEGRATED DISCLOSURES UNDER RESPA (Reg X) AND TILA (Reg Z)  
<http://www.consumerfinance.gov/regulatory-implementation/tila-respa/>
- 12 CFR 1003 – HOME MORTGAGE DISCLOSURE (REGULATION C)  
[http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&sid=5a2687a89ec1dbb103ae7c3c1349c4ce&tpl=/ecfrbrowse/Title12/12cfr1003\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&sid=5a2687a89ec1dbb103ae7c3c1349c4ce&tpl=/ecfrbrowse/Title12/12cfr1003_main_02.tpl)
- 12 CFR 1022 – FAIR CREDIT REPORTING (REGULATION V)  
[http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=b26a58aaec204931ff0e1f078187bd52&tpl=/ecfrbrowse/Title12/12cfr1022\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=b26a58aaec204931ff0e1f078187bd52&tpl=/ecfrbrowse/Title12/12cfr1022_main_02.tpl)
- 15 USC 1681 et seq. – FAIR CREDIT REPORTING ACT  
<http://www.ftc.gov/os/statutes/031224fcra.pdf>
- 12 CFR 1016 – PRIVACY OF CONSUMER FINANCIAL INFORMATION (REGULATION P)  
[http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=b26a58aaec204931ff0e1f078187bd52&tpl=/ecfrbrowse/Title12/12cfr1016\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=b26a58aaec204931ff0e1f078187bd52&tpl=/ecfrbrowse/Title12/12cfr1016_main_02.tpl)
- 15 USC 6101 et seq. DO NOT CALL – TELEMARKETING AND CONSUMER FRAUD AND ABUSE PREVENTION ACT  
<http://www.ftc.gov/ogc/stat3.shtm>
- 15 USC 6151 – DO NOT CALL  
<http://www.gpo.gov/fdsys/pkg/USCODE-2010-title15/pdf/USCODE-2010-title15-chap87A-sec6151.pdf>
- 47 CFR 64.1200 – SUBPART L RESTRICTIONS ON TELEMARKETING, TELEPHONE SOLICITATION AND FACSIMILIE ADVERTISING  
<http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&rqn=div6&view=text&node=47:3.0.1.1.11.12&idno=47>

- 16 CFR 310 – TELEMARKEETING SALES RULE  
[http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=f4ce3f73377f7eefc5905eeff59b39d1&tpl=/ecfrbrowse/Title16/16cfr310\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=f4ce3f73377f7eefc5905eeff59b39d1&tpl=/ecfrbrowse/Title16/16cfr310_main_02.tpl)
- 16 CFR 313 – Privacy of Consumer Financial Information  
[http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=f4ce3f73377f7eefc5905eeff59b39d1&tpl=/ecfrbrowse/Title16/16cfr313\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=f4ce3f73377f7eefc5905eeff59b39d1&tpl=/ecfrbrowse/Title16/16cfr313_main_02.tpl)
- 16 CFR 681 – IDENTITY THEFT RULES  
[http://www.ecfr.gov/cgi-bin/text-idx?SID=a4c947bc3f00acae9951494b85c60a3f&mc=true&node=se16.1.681\\_11&rgn=div8](http://www.ecfr.gov/cgi-bin/text-idx?SID=a4c947bc3f00acae9951494b85c60a3f&mc=true&node=se16.1.681_11&rgn=div8)
- 31 CFR 1029.320 – Rules for Loan or Finance Companies (AML Rules)  
[http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=f4ce3f73377f7eefc5905eeff59b39d1&rgn=div8&view=text&node=31:3.1.6.1.13.3.5.4&idn\\_o=31](http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=f4ce3f73377f7eefc5905eeff59b39d1&rgn=div8&view=text&node=31:3.1.6.1.13.3.5.4&idn_o=31)
- 15 USC 6801-6809 – GRAMM-LEACH-BLILEY ACT  
<http://www.ftc.gov/privacy/glbact/glbsub1.htm>
- 12 CFR 1014 – MORTGAGE ACTS AND PRACTICES - ADVERTISING (REGULATION N)  
[http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title12/12cfr1014\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title12/12cfr1014_main_02.tpl)
- USA PATRIOT Act  
<https://www.fincen.gov/resources/statutes-regulations/usa-patriot-act>
- Homeowners Protection Act  
<http://uscode.house.gov/view.xhtml?path=/prelim@title12/chapter49&edition=prelim>
- 4506-T – Request for Transcript of Tax Return  
<http://www.irs.gov/pub/irs-pdf/f4506t.pdf>
- HUD Home Equity Conversion Mortgages (HECM) homepage  
<http://portal.hud.gov/hudportal/HUD?src=/hudprograms/hecm>
- The Federal Housing Administration (FHA)  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/fhahistory](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/fhahistory)
- FHA Mortgage Limits  
<https://entp.hud.gov/idapp/html/hicostlook.cfm>
- VA Purchase & Cash Out Refinance Home Loans  
<http://benefits.va.gov/HOMELOANS/purchasecashout.asp?expandable=0&subexpandable=0>
- FHA Handbook 4155.1  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/handbooks/hsg/4155.1](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg/4155.1)
- FHA Requirements: Mortgage Insurance  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/comp/premiums/premhome](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/comp/premiums/premhome)
- Consumer Finance Protection Bureau (CFPB)
  - <http://www.consumerfinance.gov/regulations/>
  - <http://www.consumerfinance.gov/guidance/>
- CFPB Ability to Repay and Qualified Mortgage Standards  
<http://www.consumerfinance.gov/regulations/ability-to-repay-and-qualified-mortgage-standards-under-the-truth-in-lending-act-regulation-z/>
  - CFPB: Balloon Loan  
<http://www.consumerfinance.gov/askcfpb/104/what-is-a-balloon-loan.html>
  - CFPB: Construction Loan

- <http://www.consumerfinance.gov/askcfpb/108/what-is-a-construction-loan.html>
  - CFPB: Loan to Value Ratio  
<http://www.consumerfinance.gov/askcfpb/121/what-is-a-loan-to-value-ratio-and-how-does-it-relate-to-my-costs.html>
  - CFPB: Private Mortgage Insurance  
<http://www.consumerfinance.gov/askcfpb/122/what-is-private-mortgage-insurance-how-does-pmi-work.html>
  - CFPB: Interest Rate and APR  
<http://www.consumerfinance.gov/askcfpb/135/what-is-the-difference-between-an-interest-rate-and-an-apr.html>
  - CFPB: Discount Points  
<http://www.consumerfinance.gov/askcfpb/136/what-are-discount-points-or-points.html>
  - CFPB: Right to Rescind  
<http://www.consumerfinance.gov/askcfpb/187/how-long-do-i-have-to-rescind-when-does-the-right-of-rescission-start.html>
  - CFPB: Mortgage Payments  
<http://www.consumerfinance.gov/askcfpb/197/is-there-any-reason-my-mortgage-payment-would-change-over-the-life-of-my-loan.html>
  - CFPB: Property or Flood Insurance  
<http://www.consumerfinance.gov/askcfpb/201/do-i-ever-have-to-buy-property-or-flood-insurance-from-my-lender.html>
- Consumer Handbook on Adjustable-Rate Mortgages  
[http://files.consumerfinance.gov/f/201204\\_CFPB\\_ARMs-brochure.pdf](http://files.consumerfinance.gov/f/201204_CFPB_ARMs-brochure.pdf)
  - The Electronic Signatures in Global and National Commerce Act (E-Sign Act)  
<https://www.law.cornell.edu/uscode/text/15/chapter-96>
  - Fannie Mae
    - <http://www.fanniemae.com/portal/about-fm/governance/our-charter.html>
    - <https://www.fanniemae.com/singlefamily/loan-limits>
    - <https://www.fanniemae.com/content/guide/sel063015.pdf>
  - Federal Financial Institutions Examination Council (FFIEC) - The Detection and Deterrence of Mortgage Fraud Against Financial Institutions  
[http://www.ffiec.gov/exam/Mtg\\_Fraud\\_wp\\_Feb2010.pdf](http://www.ffiec.gov/exam/Mtg_Fraud_wp_Feb2010.pdf)
  - Freddie Mac  
<http://www.freddiemac.com>
  - FTC: Real Estate Marketplace Glossary  
<http://www.ftc.gov/sites/default/files/documents/one-stops/real-estate-competition/realestateglossary.pdf>
  - CSBS/AARMR Guidance on Nontraditional Mortgage Product Risks  
[http://www.csbs.org/regulatory/policy/policy-guidelines/Documents/CSBS-AARMR\\_FINAL\\_GUIDANCE.pdf](http://www.csbs.org/regulatory/policy/policy-guidelines/Documents/CSBS-AARMR_FINAL_GUIDANCE.pdf)
  - Title V – S.A.F.E. Mortgage Licensing Act  
<http://mortgage.nationwidelicensingsystem.org/SAFE/NMLS%20Document%20Library/SAFE-Act.pdf>
  - State Model Language for Implementation of Public Law 110-289, Title V—S.A.F.E. Mortgage Licensing Act  
<http://mortgage.nationwidelicensingsystem.org/SAFE/NMLS%20Document%20Library/MSL-Final.pdf>
  - 12 CFR 1008-- S.A.F.E. MORTGAGE LICENSING ACT—STATE COMPLIANCE AND BUREAU REGISTRATION SYSTEM (REGULATION H)  
[http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&sid=26a32455b3ada0bc6802a9bf26e871e9&tpl=/ecfrbrowse/Title12/12cfr1008\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&sid=26a32455b3ada0bc6802a9bf26e871e9&tpl=/ecfrbrowse/Title12/12cfr1008_main_02.tpl)