



NMLS Policy on Approved and Not Approved Topic List for Pre-Licensure and Continuing Education Intended to Satisfy SAFE Act Education Requirements

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Purpose

The purpose of this document is to identify the pre-licensure (PE) and continuing education (CE) topics NMLS has determined will satisfy the education requirements of the SAFE Act. The topics listed are intended to provide NMLS approved course providers guidance in developing course content. This document also identifies mortgage exam derived topics that are required to be covered as part of annual CE.

Background and Reason for this Document

In accordance with the SAFE Act, as a condition for acquiring a state-issued MLO license, individuals are required to complete 20 hours of pre-licensure education which shall include 3 hours of Federal Law, 3 hours of Ethics (which shall include fraud, consumer protection, and fair lending), 2 hours of Non-Traditional Mortgage Lending, and 12 hours of undefined education (electives). As a condition to maintain a state-issued MLO license, MLOs are required to complete 8 hours of annual continuing education which shall include 3 hours of Federal Law, 2 hours of Ethics (which shall include fraud, consumer protection, and fair lending), 2 hours of Non-Traditional Mortgage Lending, and 1 hour of undefined education (elective). In addition to the required hours as identified in the SAFE Act, state agencies can also establish additional requirements.

This document segments topics by PE and CE and is intended to reduce situations where CE is duplicative of PE. The PE section aligns with the test content outline. Topics have also been included to inform individuals new to the industry the mortgage lending process, the role of a mortgage loan originator (MLO) in that process, and of the laws and responsibility an MLO has in consumer protection.

The approved topic list includes a significant number of topics pertaining to federal and state laws and regulations. It would be a challenge for any school to provide instruction on every topic in 20 hours. Accordingly, as a condition for comprehensive course approval, not every topic is required to be included in the course content. However, this document does align with the test content outline and it is reasonable to set an expectation that passing the test will likely require more than 20 hours of instruction and that test candidates will need to have acquired a basic knowledge of each of the test content outline subject areas prior to passing the test.

In coordination with state regulators and the Multi-State Mortgage Committee (MMC), annual continuing education is required to include specific topics that have been identified as reoccurring problems on mortgage exams. It is the view of NMLS that one of the intentions of the CE requirement of the SAFE Act is to ensure MLOs stay current on issues pertaining to the accepting and negotiating terms of a residential mortgage loan application. The topics listed as "required" need to be covered in the designated calendar year. NMLS does not define how much time must be spent on each of the required topics nor is it envisioned that the topics consume the full two or three hours of ethics or federal law.

Topic List Quick Links:

[Pre-licensure Education \(PE\) Topic List:](#)

The Course Provider Working Group (CPWG) reviewed the PE topic list on April 18, 2017; the Mortgage Testing and Education Board (MTEB) reviewed and approved the list on April 20, 2017.

[Continuing Education \(CE\) topic list for Annual CE Year 2025:](#)

The Course Provider Sub-Working Group reviewed the CE topics list on October 2023; the Course Provider Working Group (CPWG) reviewed the CE topic list on November 14, 2023; the Mortgage Testing and Education Board (MTEB) reviewed the list on November 16, 2023. The required topics are for CE to be delivered between January 1 and December 31, 2025.

[Continuing Education \(CE\) topic list for Annual CE Year 2026:](#)

The Course Provider Working Group (CPWG) reviewed the CE topic list on in October 2024; the Mortgage Testing and Education Board (MTEB) reviewed the list on November 21, 2024. The required topics are for CE to be delivered between January 1 and December 31, 2026.

PRE-LICENSURE EDUCATION (PE) TOPIC LIST

Overview of Mortgage Lending –

- History of the mortgage industry
 - Start of the mortgage industry
 - Events which led to the implementation of the federal laws and need for consumer protection. Role of the Mortgage Loan Originator in consumer protection.
- The positions in the mortgage industry and their roles
 - Definition, job description, and roles of: Mortgage Loan Originator (MLO), Mortgage Broker, Mortgage Banker, Registered Mortgage Loan Originator (RMLO), mortgage lender/funder, mortgage investor, mortgage servicer, mortgage underwriter, mortgage examiner, mortgage regulator.

Regulatory Authority Who Oversee the Mortgage Industry -

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

Federal Mortgage-Related Laws – Topics intended to satisfy the 3 hours of Federal Law

- Real Estate Settlement Procedures Act (RESPA), 12 CFR Part 1024 (Regulation X)
 - RESPA origins and purpose
 - Knowledge of the prohibitions, limitations and exemptions set by RESPA
 - Types of loans to which RESPA is applicable
 - Settlement services
 - Required disclosures to the customer for an MLO who is also a broker
 - Bona fide discount points and application during a mortgage loan origination
 - Required information from a borrower that must be included on an application (Regulation X)
 - Knowledge of third party settlement service providers
 - Overview of the foreclosure process
 - Initial escrow statements

- Changes that can be made to the HUD-1/Good Faith Estimate
- Issuing a Good Faith Estimate when not all information has been provided
- Equal Credit Opportunity Act (ECOA), 12 CFR Part 1002 (Regulation B)
 - Factors that cannot be used to discriminate
 - Notifying borrower of action taken
 - General permissible acts under the Equal Credit Opportunity Act
 - Circumstances when it is acceptable to deny credit/loan
 - Components of a “notice of adverse action”
 - Definition of “adverse action”
 - General provisions of Regulation B
 - Exceptions to providing the appraisal report
 - “Prohibited Factors”
 - Required disclosures when an application is denied
 - Acceptable terms used to describe marital status
 - Adverse action notice, including when multiple applicants/guarantors are on the loan request
 - Disparate treatment” scenarios
 - Record retention timelines
 - Requirement for a co-signer
 - Factors considered when determining creditworthiness
 - Types of acceptable income considered in a loan review
 - Requests for missing application information
 - Adverse action scenarios
 - Information required on a loan application
 - Adverse action characteristics
 - Timeframe for sending an adverse action to an applicant
 - Actions an MLO should take when a borrower refuses to provide ethnic, race or gender information
- Truth-in-Lending Act (TILA), 12 CFR Part 1026 (Regulation Z)
 - “Notice of right to rescind”
 - Permissible fees and finance charges
 - Advertisement requirements
 - Knowledge of the core concepts of the Truth-in-Lending Act
 - Total points and fee threshold
 - Definition of “finance charge”
 - Definition of “annual percentage rate”
 - Loans covered by the Truth-in-Lending Act
 - Definition of “business day”

- Permissible annual percentage rate tolerances
- Definition of “dwelling”
- Definition of “residential mortgage loan”
- Definition of “business day” in a mortgage rescission
- Record retention timeframes
- Classifying “seller contributions”
- Refinancing scenarios with rights to rescind certain types of transactions
- Home Ownership and Equity Protection Act – High-Cost Mortgage, HOEPA Sections 32 and 12 CFR Part 1026
 - Minimum term for a balloon payment
 - Examples of “covered loans”
 - What is allowed under HOEPA
 - Limitations on broker fees
 - Entity that enforces HOEPA
 - Types of loans/lines of credit subject to HOEPA
- Higher Priced Mortgage Loans (12 CFR 1026.35)
 - Definition of “high priced/cost mortgage”
 - Prohibitions within “high priced” mortgages
 - Refinance mortgage loans
- Loan Originator Compensation (12 CFR 1026.36(d))
 - MLO compensation basis
 - The rules for who may compensate an MLO
- TILA-RESPA Integrated Disclosure Rule (TRID) (a.k.a “Know Before You Owe”)
 - Prohibitions on discrimination
 - Disclosure timeframes
 - Section on disclosure where origination charges are reflected
 - Affiliated Business Disclosure Special Information Booklet
 - Borrower information included on Regulation Z
 - Record retention
 - Required disclosures
 - Timing of disclosures provided to an applicant
 - Types of permissible fees and finance charges
 - Circumstances under which a Loan Estimate may be amended
 - General information about the TILA-RESPA Disclosure Rule
 - Examples of “change of circumstance”
 - Borrower information that is included on an application
 - Information that must be disclosed to consumers upon request
 - Explanation of an annual percentage rate
 - Party required to provide the Loan Estimate

- Types of loans covered under TILA
- Actions an MLO must take when there is incomplete information on a TRID disclosure
- Scenario violations of TRID
- A borrower's right to rescission
- Definition of loan consummation
- Information that must be disclosed on a Loan Estimate
- Facts about Loan Estimate
- Informing a borrower of other loan considerations
- Charges/fees disclosed
- Information included on a Closing Disclosure
- Information that must be disclosed in an annual escrow statement
- Acceleration definition
- The right to receive an appraisal report
- Home Mortgage Disclosure Act (HMDA), 12 CFR Part 1003 (Regulation C)
 - Mortgages in reportable data
 - HMDA definition of "dwelling"
 - Information included in borrower data
 - Information that a borrower must include on an application
 - Information about which an MLO should not inquire
 - Information provided by the borrower regarding the right of refusal
- Fair Credit Reporting Act (FCRA)/Fair and Accurate Credit Transactions Act (FACTA) 15 USC § 1681 et seq.
 - Definition of a "fraud alert"
 - Information included in a "consumer report"
 - Permissible times when a credit report may be accessed
 - Requirement to develop policies and procedures regarding identity theft
 - Definition of "creditor"
 - Information included in a FACTA disclosure
 - Length of time a bankruptcy will show on a credit history
 - Credit score evaluation methods
- FTC Red Flag rules, 16 CFR Part 681
 - Parties subject to "red flag" rules
 - Enforcement authority for "red flag" rules
- Bank Secrecy Act/Anti-Money Laundering (BSA/AML)
 - Requirement that companies protect consumer information
 - Facts about Suspicious Activity Reports (SARs)
 - Circumstances that require filing a SAR
 - SAR privacy requirements

- Gramm-Leach-Bliley Act (GLB) – Privacy, FTC Safeguard Rules and Do Not Call
 - Non-public information regarding a customer.
 - Permissible use of non-public information regarding a customer
 - Purpose of Act
 - Requirement for written privacy policy disclosures
 - Acceptable delivery methods for a privacy notice
 - Permissible hours for telephone calls
 - Written policies for maintaining Do-Not-Call lists
 - Precautions to protect customer information
 - Purpose of the National Do-Not-Call Registry
 - Permissible solicitation scenarios
 - Do-Not-Call request
 - Retention of information after a solicitation
- Mortgage Acts and Practices – Advertising, 12 CFR Part 1014 (Regulation N)
 - Advertisements referring to specific credit terms
 - Length of time required to retain advertisements
 - Information required to be included in an advertisement
 - Triggering terms that require additional disclosure
 - Violations of the Act
- Electronic Signature in Global and National Commerce Act (E-SIGN Act)
 - Required E-SIGN disclosures
 - Borrower's consent regarding access to information in electronic format
 - Requirements for maintaining records in electronic format
 - Ways to verify a borrower's identity
- USA PATRIOT Act
 - Primary purpose of the Act
 - Major functions of the Act
 - Confidential nature of filing reports
 - Ways to verify a borrower's identity
 - Parties subject to the Act
 - Requirement to have a Customer Identification Program in place and verifying the identities of borrowers
- Homeowners' Protection Act (Private Mortgage Insurance (PMI) Cancellation Act)
 - Major functions of the Act
 - Documents that must be provided to a borrower at loan consummation
- Dodd-Frank Act
 - Re-financing situations
 - Law oversight over TRID

- Independent appraisal requirements

Loan Origination Activities – Topics intended to satisfy the hours of education not specific by the SAFE Act.

Terms used in the mortgage industry

- Loan terms
 - Junior liens
 - Subordinate loans
 - Escrow accounts
 - High priced mortgages
 - Table funding
 - Rate lock agreement
 - Tolerances
 - Legal title granted via a mortgage
 - Types of mortgages a lender cannot be forced to repurchase
 - Facts on liens
 - Delinquent loan
 - High cost loans
 - Early payment default
- Disclosure terms
 - Yield spread premiums
 - High interest rates
 - Federal mortgage loans
 - Qualified mortgage
 - Servicing transfers
 - Lender credits
- Financial terms
 - Discount points
 - 2-1 Buy-down
 - Accrued interest
 - Loan-to-value ratio
 - Settlement
 - Finance charges
 - Loan discount point
 - Debt ratio
 - Daily simple interest
 - Premium pricing
 - Lender credit
- General terms

- Subordination
- Conveyance
- Cash out refinance
- Pre-paids
- Underwriting
- Secondary market
- Third party providers
- Primary mortgage market
- Non-traditional mortgages
- Consumer credit
- Loan payment collection
- Assumable loan
- Examples of origination service
- Assigned loan
- Payment shock
- Annual Percentage Rate (APR)
- Average Prime Offer Rate (APOR)

Loan Inquiry and Application Process Requirements (1003)

- Loan Requirements
 - Information on Form 1003
 - Percentage of bank account assets attributable toward a loan application
 - Handling credit
 - Report discrepancies
 - Acceptable gift donors
 - Information provided to a borrower in response to a loan inquiry
- Loan Inquiry Process
 - Required disclosures that must be provided to a borrower in response to a loan inquiry
 - Application accuracy and required information on an application (e.g., name, SSN, address of property to be financed, estimated property value, income, loan amount)
 - Permissible questions on an application
- Application Process
 - Questions on a Borrower Application
 - How MLOs accept loan applications
 - Offering and negotiating the terms of a loan
 - How MLOs manage information on an application
 - Service charges subject to 10% tolerance
- Verification and documentation
 - Forms used to authorize the release of information

- Methods of verifying income and assets
 - Percentage of bank account assets attributable toward a loan application
- Methods of verifying employment
- Suitability of products and programs
 - Reflecting the type of loan on a mortgage application
- Disclosures
 - Information included in the Truth-in-Lending disclosure
 - Disclosures on Loan Estimates
 - Adjustable-rate mortgage loan disclosures
 - Consumer Handbook on ARMs (Charm booklet)
 - Required disclosures
 - Reverse mortgages
- Accuracy (e.g., tolerances)
 - Scenarios and which allowable tolerance
 - Service charges subject to a 10% tolerance
- Timing
 - Timing of notification of action taken
 - Timing of early disclosures
- Loan Estimate
 - Timeline of when a Loan Estimate must be provided
 - Expiration of charges and terms in a Loan Estimate expire
 - Time from Loan Estimate to loan consummation
 - Exceptions to providing the Loan Estimate
 - Reissuing a Loan Estimate
 - Time period for the delivery of the Affiliated Business Disclosure
 - Time period for the delivery of the Special Information Booklet (Know Before You Owe)
 - Timeframe for the consideration for settlement charge before the expiration
 - Timing of the reissuing Loan Estimates
 - Timeline of the initial Loan Estimate disclosure
 - Timing of providing the appraisal report
 - Timing of tolerance corrections
- Sending a list of counseling services
 - Shopping
- Valid reasons for a Change in Circumstance
- Delivery Method
 - Electronic
 - Face-to-Face
 - Standard Mail

- Overnight Delivery
- Closing Disclosure
 - When applicants entitled to advance inspection of a closing
 - Initial Closing Disclosure
 - Timing of Disclosures
 - Final Closing Disclosure
 - Timeframe of providing an updated closing disclosure
 - Definition of a business day for delivery purposes
- Homeownership Counseling Disclosure

Loan Qualification Requirements, Processing, and Underwriting

Borrower analysis

- Assets
 - Acceptable assets that may be used for a down payment
 - Types of asset classifications
 - Assets permissible to be used toward reserve funds
 - Actions not permitted with respect to Verification of Deposits
- Liabilities
 - Liabilities listed on a loan application
 - Types of liabilities
- Income
 - Documentation required for a self-employed applicant
 - Utilizing capital gains income on an application
 - Types of applicable income types for loan qualification
 - Social security and/or disability income that may be applied toward a loan analysis or as qualifying income
 - Documentation of work history and income when there has been an absence in employment over 3 years
 - Calculating monthly income
- Credit report
 - Information included on a credit report
 - Factors used in determining a credit score
- Qualifying ratios
 - Definition of “capacity”
 - Factors when calculating the expense-to-income ratio
 - Loan to value ratios
 - Calculating the debt-to-income ratio
 - Calculating the housing to income ratio
 - Calculating the total debt ratio

- Ability to Repay
 - Factors taken into consideration when reviewing an applicant's ability to repay a loan
 - Methods of verifying income/assets
 - Determining a borrower's ability to repay
 - Allowable debt to income ratio at loan consummation
 - Safe harbor provisions and scenarios
 - Ability to repay scenarios
- Tangible net benefit
- Occupancy types
- Verification of Deposit scenarios
- Appraisals
 - Purpose of appraisals
 - Market approach
 - Income approach
 - Cost approach
 - Market data approach
 - Using comparable information to establish values
 - Requirement/timeline to inform applicant of the right to receive an appraisal
 - Facts on appraisals
 - Definition of "appraisal"
 - Appraisal requirement with a high-risk mortgage
 - Definition of "appraiser"
- Title report
 - Obtaining title reports
 - Timing of title reports and commitments
 - Preliminary Title Reports Cost approach
- Insurance
 - Flood Insurance
 - Designates zones for flood insurance
 - Limits of flood insurance
- Private Mortgage Insurance
 - Purpose of private mortgage insurance
 - Benefits of private mortgage insurance
 - Facts on private mortgage insurance and ratios
 - Requirement guidelines to ending private mortgage insurance
 - Loan to value ratio that triggers private mortgage insurance
- Hazard/Homeowner Insurance
 - Forced-placed insurance

Closing

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

Financial Calculations/Mortgage Math/APR

- Periodic Interest
 - Interest rate calculation scenarios
 - General facts
 - Interests per diem facts
- Payments
 - Calculation scenarios for mortgage insurance
 - Calculation scenarios for interest rates
 - Calculation scenarios for monthly payments
 - Calculation scenarios for loan amounts

- Effect of escrow on mortgage
- Order of payments and importance of payments to the underwriting of loan
- Closing Disclosure information
- Down Payments
 - Calculating down payment amounts/percentages
- Loan-to-value ratios
 - Loan-to-value ratio calculation scenarios
- Debt-to-income ratios
 - Debt ratio calculation scenarios
 - Factors in calculating debt ratios
- Discount Points: Fixed interest rate buy-downs
 - Permanent note
 - Definition of “discount point”
 - Discount point calculation scenarios
 - Purpose of discount points
- Closing costs and prepaid items
 - Closing costs/pre-paid items calculation scenarios
 - Hazard insurance collection
- ARMs (e.g., fully indexed rate)
 - Interest rate adjustment calculation scenarios
 - Payment adjustment calculation scenarios
- Qualified Mortgage monthly payment calculations
 - Calculating the debt-to-income ratio

Traditional and Non-Traditional Mortgage Products – Topics intended to satisfy the 2 hours of Non-Traditional Mortgage Lending

- Conventional/conforming (e.g., Fannie Mae, Freddie Mac)
 - Responsibilities of Fannie Mae
 - Limits on closing cost concessions
 - Fee charges on loans with certain risk characteristics
 - Fannie Mae/Freddie Mac’s automated underwriting systems
 - Requirements when purchasing a non-owner occupied rental property
 - Acceptable down payment amounts
 - Hazard insurance requirements
 - Pre-payment requirements
- Government (e.g., FHA, VA, USDA)
 - Definition of “FHA Mortgage”
 - Facts about FHA loans
 - Definition of “FHA”

- Facts about VA loans
- Prohibition on mortgage insurance
- FHA interest rate calculation scenarios
- Types of government guarantors
- Definition of “entitlement”
- Certificate eligibility requirement
- Acceptable funds for a down payment/closing costs
- Properties eligible for FHA purchase transactions
- FHA loan limits
- VA funding fees
- Upfront mortgage insurance premiums
- Residual income qualification test
- Required documentation
- Monthly mortgage insurance payment scenarios
- Minimum down payment for an FHA loan
- Conventional/nonconforming (e.g., Jumbo, Alt-A)
 - Facts on “jumbo loans”
 - Definition of “non-conforming” loan
 - Examples of “non-traditional loans”
 - Requirements for an escrow account associated with a “high priced loan”
 - Requirements for an escrow account associated with a “high cost loan”
 - Statement on Subprime Lending
 - Definition of “payment shock”
 - Definition of “subprime”
 - Characteristics of ARM loans
 - Definition of a debt-to-income ratio assessment
 - Examples of credit risk characteristics
 - Scenarios to determine when a balloon loan may be appropriate for a borrower
 - Characteristics of subprime borrowers
 - Characteristics of a subprime mortgage
 - Stated income loans
 - Non-income verifying loans
- Guidance on Nontraditional Mortgage Product Risk
 - Characteristics of a non-traditional mortgage loan
 - Risks of non-traditional mortgage products
 - Re-payment capacity of a borrower
 - Identifying the right non-traditional mortgage product for borrowers
 - Communications with consumers regarding non-traditional mortgage products

- Qualified and Non-Qualified Mortgage Programs
 - Features of a “qualified mortgage”
 - Allowable points and fees for qualified mortgages
 - Information used to determine whether a loan is “qualified”
 - Annual percentage rates that make a mortgage “qualified”
 - Categories of qualified mortgages
- Non-Qualified Mortgage (Non-QM)
 - Features of a non-qualified mortgage
 - Types of non-qualified mortgages

Mortgage loan products

- Fixed
 - Characteristics of a fixed-rate mortgage
 - Comparisons of types of loans (scenarios)
 - Situations that affect a fixed rate mortgage payment
 - Percentage of pay down required to lessen monthly payments
 - Fixed-rate mortgage loan with escrow
- Adjustable
 - Payment options for an adjustable-rate mortgage
 - Facts on margin with respect to adjustable-rate mortgages
 - Facts on the index with respect to adjustable-rate mortgages
 - Definition of “fully indexed rate”
 - Examples of adjustable-rate mortgages
 - Scenarios resulting in a change in monthly payments
 - Facts on ARM loans
 - Fully indexed rate scenarios
 - Scenarios reflecting payments increasing/decreasing on “change date”
 - Timeline for notifying a customer of a rate change
 - Factors when determining interest rates
 - Calculating a borrower’s monthly payment
- Balloon mortgage loan products
 - Facts about balloon mortgages
 - Types of balloon mortgages
 - Lender requirements
 - Scenarios to determine when a balloon loan may be appropriate for a borrower
- Reverse mortgage
 - Facts on reverse mortgages

- Payments required after closing on a conversion mortgage loan
- Age requirements for conversion mortgages
- Facts on “construction-to-permanent” financing programs
- Permissible percentage of total equity allowed for withdrawal
- Scenarios that cause the full balance to become due
- Requirements of reverse mortgage advertisements
- Required disclosures
- Purchase Money Second Mortgages
- Home Equity Line of Credit (HELOC)
 - Examples of open-ended credit loans
 - Characteristics of a HELOC
- Fundamentals of Construction Mortgages
 - Definition of “construction loan”
 - Classifying the disclosure of financing by the same creditor when constructing a home
 - Required payments on a construction loan
- Interest-only Mortgages
 - Facts about interest only loans
 - Facts on interest only payments
 - Facts on interest only mortgages
- Other Mortgage Products

Ethics – Topics intended to satisfy the 3 hours of Ethics, Fraud, and Consumer Protection.

Ethical issues and behavior related to loan origination activities

- Violations of law
 - Violations of Gramm-Leach Bliley Act
- Prohibited acts
 - Examples of “redlining”
 - Acceptable/non-acceptable practices under RESPA
 - Examples of prohibited acts
 - Requests for personal information
 - Examples of “kickbacks”
 - Duties a loan processor may/may not perform
- Predatory lending and steering
 - Definition of “steering”
 - Scenarios surrounding the proper designations of loans and property types
- Fairness Lending
 - Definition of a referral and the required associated disclosures, if necessary

- Coercion scenarios
- Scenarios where the appraiser has a conflict of interest
- Discriminating against an applicant
- Requirement to treat all applicants with the same level of fairness
- Truth in marketing and advertising
 - Scenarios where information is misleading within an advertisement
 - Bait and switch scenarios
 - Performing a due diligence review of advertisements prior to publication
 - Scenarios where “unfair, deceptive, or abusive acts” are undertaken
 - Examples of lawful advertising
 - Types of advertisements that are subject to federal regulations
 - Rules surrounding contact (e.g., “Established business relationship”)
 - Permissible statements/phrases within an advertisement
- Borrower education
- Fraud detection
 - Asset fraud
 - Red flags on a sales contract
 - Application red flags
 - Verifying loan application information
 - Occupancy fraud
 - Income fraud
 - General red flags that could represent fraud
 - Scenarios surrounding a consumer’s bank activity
 - Scenarios where information is not provided to a borrower
 - Employment fraud
 - Liability fraud
 - Suspicious activity
- Financial responsibility
 - Permitted fees, payments, and compensation (e.g., Loan Estimate)
 - Fees that may not increase due to changed circumstances
 - How fees are handled based on the Loan Estimate
 - Closing cost scenarios
 - Settlement scenarios where monies are missing or misused
 - Scenarios surrounding referral fees
 - Splitting fees
- Handling consumer complaints
- Mortgage company compliance
 - Acceptable practices when acting on behalf of a lender

- Acceptable practices regarding appraisals
- Scenarios when an MLO discovers material information that should be conveyed to the lender
- Scenarios surrounding the information supplied by employers
- Requirements for MLOs
- Relationship with consumers
 - Ethical handling of a customer's personal information
 - Down payment scenarios
 - Interest rate adjustment scenarios
 - Power of Attorney (POA) scenarios
 - Permissible reasons for requesting a credit report
 - Scenarios of notifying the underwriter of a change in the borrower's application or status
 - Proper disclosures by MLO if there is a potential conflict of interest
 - Scenarios surrounding situations with borrower's and co-borrower's
 - Permissible acts regarding the appraisal of a client's property
 - Scenarios surrounding situations with borrower's undisclosed income
 - Permissible acts after discovering deposits inconsistent with borrower's income included on application
 - Scenarios involving a gift received by the borrower
 - Scenarios of notifying a loan officer if a borrower has applied with other companies for additional mortgages
 - Scenarios surrounding a borrower providing information on income
 - Cybersecurity scenarios
- General business ethics
 - Scenarios where borrower has provided false information
 - Scenarios where borrower is seeking advice
 - Scenarios where the MLO is falsifying information on behalf of a borrower
 - Providing suitable unsolicited advice to a borrower
 - Scenarios where outside parties/individuals to the loan attempt to obtain information on a loan or about a borrower

Uniform State Content – Topics Intended to Satisfy the Requirements Associated with the Uniform State Test

SAFE Act and CSBS/ARRMR Model State Law

- State mortgage regulatory agencies
 - Regulatory authority
 - Regulatory power
 - Creation and purpose of the NMLS Registry
 - Frequency of investigations and exams

- CFPB authority to conduct exams
 - Continuing education requirements
 - Unique identifiers for MLOs
 - CFPB penalty limits
 - CFPB Loan Originator Rule
 - Authority of state regulator (e.g., audit)
- Responsibilities and limitations
- Definitions and Documents
 - NMLS
 - SAFE Act
 - Documents to be filed for public record
- License Law and Regulation
 - Minimum requirements for state licensing laws
 - Persons required to be licensed
 - Services conducted by MLOs and the requirement to be licensed
 - Entities required to use MLOs
 - Allowable acts by underwriters
 - Clerical/support duties
 - Loan processors
- Business that individuals may/may not conduct without being licensed as an MLO license
 - General business
 - Non-profit institutions
 - Business purpose loans (e.g., commercial, non-owner)
- Licensee qualifications and application process
 - Pre-licensing education requirements
 - Background checks
 - Requirements to becoming an MLO
 - Managing felony charges
 - Waiting period for test retakes
 - Sponsorship requirement
 - “MLO” and the requirement to be licensed with a state
- Grounds for denying a license
 - Reasons for denying an applicant
- License maintenance
 - Continuing education requirements
 - Renewal period
 - License renewal lengths and minimum standards
 - Continuing education courses approvals

- Withholding a record
- Requirements to re-take exam if individual has been absent from industry
- Requirement to maintain an active license
- Required continuing education hours completed to renew a license
- NMLS requirements
 - Change of employment and updating NMLS
 - Required submissions that applicants must make to the NMLS system
 - Required disclosures to NMLS
 - Requirement to publicly display an NMLS identifier
 - Requirement to include the NMLS identifier in certain situations
 - Licensed non-depository employees' - vs registered depository employees' in NMLS
- Compliance
 - Authority to examine licensee's books and records
 - Prohibited conduct and practices
 - Prohibited acts
 - Requirement to obtain a unique identifier
 - Investigations by state agencies
 - Required conduct
 - Individual responsible for providing documents during a complaint investigation
 - Required information to be maintained in a loan file
 - Assumable mortgage loan products
 - Penalties assessed for failure to conduct certain duties
 - Permissible acts
 - Timeline for submitting books and records to a state regulator
 - General scenarios regarding mortgage loan origination
 - Required information on loan documents
 - Record retention requirements
 - Advertising
 - Requirement to include NMLS unique ID in advertisements

CONTINUING EDUCATION (CE) APPROVED TOPIC LIST

List of acceptable topics for annual CE requirement for the Ethics and Nontraditional SAFE Act requirements. Topics are not specific to a CE year.

Ethics – Topics intended to Satisfy the 2 Hours of Ethics, Fraud, and Consumer Protection.

- Mortgage Exam Process – What happens when an examiner visits your company
 - Prep – Know how long to keep records, keep records organized, know who pulls reports
 - A Point of Contact is required to be available to respond to examiner inquiries
 - Pre-exam materials / requests from the examiner
 - Common Violations – Mortgage Call Report, Advertising, Late Disclosures, Lacking written policies
 - Rating System
- Cybersecurity
- Exploring the Role of Artificial Intelligence in Residential Mortgage Lending
 - Lack of Transparency: “Black box” algorithms may make it difficult for lenders to explain decisions to regulators or consumers
 - Job Displacement: Automation of underwriting and processing may reduce demand for certain roles in mortgage origination and servicing
 - Traditional credit scores can be supplemented or even replaced with AI-driven models
 - AI tools can extract data from documents (W2s, Paystubs, Bank Statements, etc.)
 - Lenders can use AI to track borrower behavior post-closing, identifying early signs of default risk.
- Identity Theft Rules 16 CFR 681
 - Identity theft program
 - ♣ Elements of the program to detect and prevent identity theft
 - Detecting and identifying relevant Red Flags
 - Actions taken when identity theft occurs
 - ♣ Situations of identity theft detected
- Do Not Call – Telemarketing and Consumer Fraud and Abuse Prevention Act 15 USC 6101 etseq.
 - Defining and prohibiting deceptive telemarketing acts
 - Senior citizen and other consumer fraud
 - Scenarios of abusive consumer acts
- Mortgage Acts and Practices – Advertising (Regulation N) 12 CFR 1014
 - Detection of prohibited advertising
 - Other prohibited mortgage acts and practices
- Other topics pertaining to ethics, fraud, and consumer protection.

- o Enforcement actions
- o Marketing agreements
- o Graham, Leach, Bliley Act
- o Industry changes (e.g., credit scoring, modern predatory lending, and lending tactics)
- o Anti-money Laundering

Traditional and Non-Traditional Mortgage Products – Topics Intended to Satisfy the 2 hours of Non-Traditional Mortgage Lending

- Any product that can be used to finance a residential property
- Property Valuation
 - o Factors Influencing Property Value (Location, Characteristics, Market Conditions, Zoning, etc.)
 - o Modern Trends in Valuation (Digital Appraisals, Remote Inspections/ hybrid or drive-by appraisals)
 - o Valuation Methods (Sales Comparison Approach, Cost Approach, Income Approach, and Automated Valuation models – AI Powered Algorithms)
 - o Who Performs Valuations (Licensed Appraisers or AVM Providers)
- FNMA/ FHLMC Updates
- Digital Currency Related to Residential Mortgages
 - o Benefits, Challenges and Risks
 - o Using Bitcoin or a CBDC to make payments
 - o Down payments on home purchase
 - o Asset Verification
- Define how Down Payment Assistance effects debt-to-income ratio and application
- FHA Mortgage Limits and Updates
- CSBS/AARMR Guidance on Nontraditional Mortgage Products Risks
- Other topics pertaining to Non-Traditional Mortgage Products
 - o ARM's
 - o Negative amortization loans
 - o 15 Year Loans
 - o Reverse Mortgages
 - o VA Loans
 - o Rehab Loans
 - o Collateral/Portfolio Loans

- o Seller Financing
- o Affordable Housing Programs
- o Non-QM Loans

CONTINUING EDUCATION (CE) REQUIRED TOPIC LIST FOR ANNUAL CE YEAR 2025

Background: Who Established the Required CE Topics and Why? (Review time 2-3 mins)

- **Important:** The required CE topics for 2025 have been ranked from 1-10 by the Multi-State Mortgage Committee (MMC) and were derived from the 2022 3rd quarter examination reports. The top 10 ranked topics the MMC considers important information that every Mortgage Loan Originator must adhere to during the origination of a loan in order to prevent violations actionable by State Regulators.

Furthermore, the final action taken per the examination, resulted in additional audits, required written letters of explanation, implemented corrective action plans, refunds, and assessed penalties.
- The Multi-State Mortgage Committee (MMC) is comprised of 10 appointed State Regulator members and one Conference of State Bank Supervisors (CSBS) member. Their role is to implement cooperative protocol between state agencies and the financial industry. For additional information Ref: [CSBS-AARMR MMC Exam Manual](#)
- The role of the State Regulator's includes licensing and supervising of state-chartered banks and non-bank entities to include mortgage lenders. They ensure the financial services operates in a safe and sound manner.
- An examination is completed by State Regulators to determine if a financial institution is operating in compliance with state and federal laws. A review of a financial institutions loans and corporate records are conducted to decide whether the entities are effectively meeting the requirement to operate, monitor, and control risks associated with loan origination activities.
- Individual Mortgage Loan Originators are and will be held accountable by State Regulators for violations found during examinations.

Topic 1: TILA - 12 C.F.R. §1026.19(e)(3) and (4)

- **Findings Title:** Charged Fees above Tolerance Limits
 - o **Citation Violation:** An estimated closing cost is in good faith if it does not exceed the amount originally disclosed. A revised estimate may be used in the event of a valid changed circumstance if the revised fee is disclosed to the borrower within three business days of the change. Third-party fees the borrower cannot shop for are subject to a zero percent tolerance limit. In addition, recording fees may increase by no more than ten percent from the amount initially disclosed on the Loan Estimate (LE) without a valid changed circumstance. § 1026.19(e)(3) and (4).
 - o **Examination Findings:** There was an increase in the appraisal fee and recording fee for a borrower without a valid changed circumstance. Further, it was a failure to disclose the final inspection fee and the state tax to the borrower within three business days.

Topic 2: TILA - 12 C.F.R. §1026.19(e)(3)(i)

- **Findings Title:** Good faith determination of estimates of closing costs
 - **Citation Violation:** "(i) General rule. An estimated closing cost disclosed pursuant to paragraph (e) of this section is in good faith if the charge paid by or imposed on the consumer does not exceed the amount originally disclosed under paragraph (e)(1)(i) of this section, except as otherwise provided in paragraphs (e)(3)(ii) through (iv) of this section.
 - **Examination Findings:** A loan was identified where there was a closing cost collected from the borrower that exceeded the estimated closing cost disclosed to the borrower in the Loan Estimate (LE).

Topic 3: TILA - 12 C.F.R. §1026.19(f)(1)(i) and (f)(3)(i)

- **Findings Title:** Unallowable Third-Party Fee
 - **Citation Violation:** 12 CFR Section 1026.19(f)(1)(i) of Regulation Z (TILA) states: "Mortgage loans – final disclosures. Scope. In a transaction subject to paragraph (e)(1)(i) of this section, the creditor shall provide the consumer with the disclosures required under §1026.38 reflecting the actual terms of the transaction."
 - 12 CFR Section 1026.19(f)(3)(i) of Regulation Z (TILA) states: "Charges disclosed – Actual charge. The amount imposed upon the consumer for any settlement service shall not exceed the amount actually received by the settlement service provider for that service, except as otherwise provided in paragraph (f)(3)(ii) of this section."
 - Official Interpretation of §1026.19(f)(3)(i) of Regulation Z (TILA) states: "Requirements. Section 1026.19(f)(3)(i) provides the general rule that the amount imposed on the consumer for any settlement service shall not exceed the amount actually received by the settlement service provider for that service. Except as otherwise provided in § 1026.19(f)(3)(ii), a creditor violates §1026.19(f)(3)(i) if the amount imposed upon the consumer exceeds the amount actually received by the service provider for that service."
 - **Examination Findings:** The consumers were charged an appraisal fee that had already been paid for by a prior lender. A residential appraisal report was utilized that had been ordered by another lender; however, the consumer was charged for the same appraisal at closing. Only the cost of third-party fees for services actually provided may be assessed to consumers.

Topic 4: TILA - 12 C.F.R. §1026.19(f)(2)(v)

- **Findings Title:** Failed to Issue a Corrected Closing Disclosure and Refund Within 60 Days of Consummation
 - **Citation Violation:** A lender shall refund any excess to the consumer no later than 60 days after consummation if the amounts paid at consummation exceed the amounts specified on the disclosure. The lender must deliver or place in the mail disclosures corrected to reflect the refund of such excess no later than 60 days after consummation. § 1026.19(f)(2)(v).
 - **Examination Findings:** Loans were identified where the file did not contain adequate evidence to show that a corrected Closing Disclosure or refund was issued to the

consumer within 60 days of consummation. Example: on a loan, two invoices are billed, one for \$900.00 and a second for \$200.00, for an initial appraisal and supplemental review, and the consumer is charged \$1,300.00 on the final Closing Disclosure without evidence of correction.

Also, identified were loans where re-disclosure and refunds were provided more than 60 days past consummation.

Topic 5: TILA - 12 C.F.R. §1026.37(a)(13)(i) and (m)(4)

- **Findings Title:** Provided Inaccurate Loan Estimates
 - **Citation Violation:** The creditor is required to disclose certain information on the Loan Estimate (LE). For transactions in which the interest rate is locked for a specific period of time, the creditor must provide the date and time (including the applicable time zone) when that period ends. §1026.37(a)(13)(i). Additionally, the lender is required to provide a statement detailing any charge that may be imposed for a late payment, stated as a dollar amount or percentage charge of the late payment amount, and the number of days that a payment must be late to trigger the late payment fee, labeled "Late Payment. §1026.37(m)(4)
 - **Examination Findings:** Loans were identified showing accurate information on the LE had failed to be disclosed.

Topic 6: TILA - 12 C.F.R. §1026.19(f)(3)(i)

- **Findings Title:** Collection of Excessive Fees
 - **Citation Violation:** Regulation Z, 12 C.F.R. §1026.19(f)(3)(i), provides the general rule that the amount imposed on the consumer for any settlement service shall not exceed the amount actually received by the settlement service provider for that service.
 - **Examination Findings:** Loan files were identified where documentation was not provided to support the amount of the credit report fee charged to the consumer.

Topic 7: TILA - 12 C.F.R. §1026.19(f)(2)(v)

- **Findings Title:** Mortgage loans - final disclosures – Subsequent changes
 - **Citation Violation:** "(v) Refunds related to the good faith analysis. If amounts paid by the consumer exceed the amounts specified under § 1026.19(e)(3)(i) or (ii), the creditor complies with §1026.19(e)(1)(i) if the creditor refunds the excess to the consumer no later than 60 days after consummation, and the creditor complies with § 1026.19(f)(1)(i) if the creditor delivers or places in the mail corrected disclosures that reflect such refund no later than 60 days after consummation".
 - **Examination Findings:** Loan files were identified where it showed the failure to provide the corrected Closing Disclosure (CD) and/or refund to the borrower within the 60-day timeframe after consummation. Additionally, it was noted that there was a failure to indicate whether the borrower received the dollar refund for the overpayment of recording fees.

Topic 8: TILA - 12 C.F.R. §1026.24(c)

- **Findings Title:** Advertisement Missing Annual Percentage Rate
 - **Citation Violation:** If an advertisement states a rate of finance charge, it shall state the rate as an “annual percentage rate,” using that term. If an advertisement is for credit secured by a dwelling, the advertisement shall not state any other rate, except that a simple annual rate that is applied to an unpaid balance may be stated in conjunction with, but not more conspicuously than, the annual percentage rate. § 1026.24(c).
 - **Examination Findings:** An advertisement was identified stating a rate of a finance charge without stating the annual percentage rate.

Topic 9: TILA - 12 C.F.R. §1026.19(f)(1)(ii)(A)

- **Findings Title:** Mortgage loans - final disclosures – Provision of disclosures – Timing
 - **Citation Violation:** “(A) In general. Except as provided in paragraphs (f)(1)(ii)(B), (f)(2)(i), (f)(2)(iii), (f)(2)(iv), and (f)(2)(v) of this section, the creditor shall ensure that the consumer receives the disclosures required under paragraph (f)(1)(i) of this section no later than three business days before consummation.”
 - **Examination Findings:** Borrowers CD was not provided within three business days before consummation.

Topic 10: TILA - 12 C.F.R. §1026.38(g)(1)(i)(ii)

- **Findings Title:** Closing costs details; other costs – Taxes and other government fees
 - **Citation Violation:** “(g)(1) Taxes and other government fees. Under the master heading “Closing Cost Details” disclosed pursuant to paragraph (f) of this section, with columns stating whether the charge was borrower-paid at or before closing, seller-paid at or before closing, or paid by others, all costs in connection with the transaction, other than those disclosed under paragraph (f) of this section, listed in a table with a heading disclosed as “Other Costs.” The table shall contain the items and amounts listed under five subheadings, described in paragraphs (g)(1) through (6) of this section. (1) Taxes and other government fees. Under the subheading “Taxes and Other Government Fees,” an itemization of each amount that is expected to be paid to State and local governments for taxes and government fees and the total of all such itemized amounts that are designated borrower-paid at or before closing, as follows:
 - (i) On the first line: (A) Before the columns described in paragraph (g) of this section, the total amount of fees for recording deeds and, separately, the total amount of fees for recording security instruments; and (B) In the applicable column as described in paragraph (g) of this section, the total amounts paid for recording fees (including, but not limited to, the amounts in paragraph (g)(1)(i)(A) of this section); and (ii) On subsequent lines, in the applicable column as described in paragraph (g) of this section, an itemization of transfer taxes, with the name of the government entity assessing the transfer tax.”
 - **Examination Findings:** Identified loans where the recording fees were incorrectly disclosed as seller-paid at closing in the consumer’s final CD. In addition, there was a failure to disclose the transfer tax in the final CD provided to the borrowers.

CONTINUING EDUCATION (CE) REQUIRED TOPIC LIST FOR ANNUAL CE YEAR 2026

Background: Who Established the Required CE Topics and Why? (Cover in 2-3 mins)

- **Important:** The required CE topics for 2026 have been selected by the Multi-State Mortgage Committee (MMC) and were derived from multistate exams that closed between Quarter 4, 2023, and Quarter 1, 2024. The MMC considers these top 10 topics important information that every Mortgage Loan Originator must adhere to during the origination of a loan to prevent violations actionable by State Regulators.
Furthermore, the final action taken per the examination resulted in additional audits, issuance of corrected disclosures, written letters of explanation, refunding borrower's funds, improved internal controls, employee training programs, corrective action of employees, and written assurances detailing policy and procedure amendments aimed at preventing future violations of the Act. The Multi-State Mortgage Committee (MMC) is comprised of 10 appointed State Regulator members and one Conference of State Bank Supervisors (CSBS) member. Their role is to implement cooperative protocol between state agencies and the financial industry. For additional information Ref: [CSBS-AARMR MMC Exam Manual](#)
- The role of the State Regulator's includes licensing and supervising of state-chartered banks and non-bank entities to include mortgage lenders. They ensure the financial services operate in a safe and sound manner.
- An examination is completed by State Regulators to determine if a financial institution is operating in compliance with state and federal laws. A review of a financial institution's loans and corporate records is conducted to decide whether the entities are effectively meeting the requirement to operate, monitor, and control risks associated with loan origination activities.
- Individual Mortgage Loan Originators are and will be held accountable by State Regulators for violations found during examinations.

For each required topic listed below, thoroughly review the citations, findings, and outline potential consequences and recommendations for the violations.

These consequences and recommendations can be general, as they depend on the regulator's interpretation. The objective is to help the student grasp the possible repercussions of wrong doings. Examples may include, but are not limited to: Additional audits, monetary fines and penalties (specify and cite the amounts), issuance of corrected disclosures, written letters of explanation, refunding borrower's funds, improved internal controls, employee training programs, corrective action of employees, written assurances detailing policy and procedure amendments aimed at preventing future violations of the Act, etc.

Topic 1: ECOA - 12 C.F.R. §1002.9(a)(1)

- **Findings Title:** Notifications
 - **Citation Violation:** A creditor shall notify an applicant of action taken within: (i) 30 days after receiving a completed application concerning the creditor's approval of, counteroffer to, or adverse action on the application.
 - **Examination Findings:** It was noted that on eleven (11) loan files the Licensee failed to provide the applicant a Notice of Incompleteness or a Notice of Adverse Action (a/k/a Statement of Credit Denial, Termination, or Change) or retain a copy of the letter when issued by the broker or lender within 30 days of a complete or incomplete application concerning the creditor's approval of, counteroffer to, or adverse action on the

application, or 90 days after notifying the applicant of the counter offer if the applicant does not expressly accept or use the credit offered. The Licensee's MLOs obtained application information, such as credit reports, to evaluate the applicants' credit worthiness but failed to act with reasonable diligence to collect information to complete the application. The Licensee's records failed to document the actions taken by the Licensee to complete the application nor sent a Notice of Incompleteness or denying the application outright for an incomplete application.

The Licensee is required to provide the consumer with a Notice of Action Taken as outlined in Regulation B §1002.9(c)(2) and commentary 2(f)-6 requires the creditor to act with reasonable diligence to collect information needed to complete the application.

Topic 2: ECOA - 12 C.F.R. §1002.9(a)(1)(ii) and (c)(1), 1002.12(b)(1), 1002.02(f)

- **Findings Title:** Notifications of Actions Taken
 - **Citation Violation:**
 - 12 C.F.R. §§ 1002.9(a)(1)(ii) and (c)(1) Requires a creditor notify an applicant of action taken within 30 days after taking an adverse action on an incomplete application or notify an applicant of application being incomplete.
 - 12 C.F.R. § 1002.12(b)(1) Requires a creditor to retain, for 25 months, the notification of action taken in original form or a copy thereof.
 - 12 C.F.R. § 1002.2(f) Defines an application as “an oral or written request for an extension of credit that is made in accordance with procedures used by a creditor for the type of credit requested.” The creditor is also responsible for reasonable due diligence to obtain any required information for a completed application.

Examination Findings: A one-month sample of credit bureau logs along with the originated and adverse loan production logs were reviewed.

There were 61 credit pulls classified by the company as a Prequalification with No GFE/ Inquiry only. No other documentation was tied to the credit pulls. Upon questioning, the company's explanation was “Pursuant to ECOA, there are situations where a borrower can simply inquire, and the inquiry does not rise to the level of an ECOA application. ECOA gives lenders the latitude to establish their own application process and decide what information is required to constitute an application. However, the company has a dedicated team in its Consumer Direct division responsible for contacting consumers who submit an inquiry through the online portal, assuming actual accurate contact information was provided.”

Of the 61 missing transactions, 21 had credit information requested by a company licensed online tool and 40 transactions had credit information requested by the MLO. Amongst several items the borrowers' entire credit profile was obtained.

The company policy document stated that “For purposes of Regulation B, the company uses the same procedures and requires receipt of the same information in the same format and same location as described above in the TRID Section to define an “Application.” According to the company's own definition, all 61 missing applications would have been considered incomplete applications. The company failed to produce the Notice of Incompleteness, or any supporting documentation including conversation logs and notes regarding the transactions.

Furthermore, records of 15 credit pulls related the handling of the request for credit including any conversation logs or supporting documentation were requested. The company failed to produce any Notice of Adverse Action, Notice of Incompleteness, or any supporting documentation including conversation logs and notes regarding the transactions. The company failed to act with reasonable due diligence to complete the application in violation of Regulation B § 1002.2(f). Compliance with ECOA was unable to be determined regarding the purpose

(purchase/refinance) for the request for credit due to the company's lack of supporting documentation.

Topic 3: ECOA- 12 C.F.R.§1002.9(a)(2)(i) and (ii)

- **Findings Title:** Adverse Action Not Compliant – Failure to Indicate Specific Reasons
 - **Citation Violation:** A notification given to an applicant when adverse action is taken shall contain “A statement of specific reasons for the action taken; or a disclosure of the applicant’s right to a statement of specific reasons within 30 days, if the statement is requested within 60 days of the creditor’s notification.” Whereas Section 1002.9(b)(2) states “Statement of specific reasons. The statement of reasons for adverse action required by paragraph (a)(2)(i) of this section must be specific and indicate the principal reason(s) for the adverse action. Statements that the adverse action was based on the creditor's internal standards or policies or that the applicant, joint applicant, or similar party failed to achieve a qualifying score on the creditor's credit scoring system are insufficient.”
 - **Examination Findings:** The company issued Notifications of Action Taken stating: “Does not meet minimum investor guidelines” as the reason for the denial. This general explanation for denial does not provide the applicant with specific information regarding the reasons for the application’s rejection and therefore considered insufficient.

Topic 4: ECOA - 12 C.F.R. §1002.12(b)(1)

- **Findings Title:** Records to be Maintained
 - **Citation Violation:** For 25 months (12 months for business credit, except as provided in paragraph (b)(5) of this section or otherwise provided for in subpart B of this part) after the date that a creditor notifies an applicant of action taken on an application or of incompleteness, the creditor shall retain in original form or a copy thereof: (i) Any application that it receives, any information required to be obtained concerning characteristics of the applicant to monitor compliance with the Act and this part or other similar law, any information obtained pursuant to § 1002.5(a)(4), and any other written or recorded information used in evaluating the application and not returned to the applicant at the applicant's request..
 - **Examination Findings:** The company was using the Factual Pre-Qualification Credit Report product, which enables it to obtain a credit report from the three major credit reporting agencies (Transunion, Equifax, and Experian) through a soft credit inquiry for the purpose of prequalifying consumers. The process for pulling soft credit inquires is to obtain the consumers name, social security number, date of birth, current address, and authorization for prequalification credit report. This report allows the mortgage loan originator (MLO) to review the borrower’s liabilities, credit history and credit scores prior to pulling a hard pull credit report. The credit inquiry is downloaded into the company’s underwriting software and allows the MLO to generate a prequalification estimate. During the meeting, it was represented by the company that other than the credit bureau record, no records such as a conversation log detailing the MLOs discussion with the consumer, or copies of the pre-qualification letter (unless the consumer completes an application), are maintained in their loan origination software (LOS) or company records. It appears the Licensee does not consider the process of gathering demographic information, such as a social security number, date of birth, address, and name as taking an application. It was also represented that if the consumer did not qualify for a mortgage program, the branch would need to submit a statement of denial. Other than

encouraging the consumer to complete an application when a consumer qualifies for a residential mortgage loan, there is no record of the company's due diligence to complete the applications.

The Licensee should be aware of the use of the consumer credit report to make a credit decision requires a Notice of Action Taken, or Notice of Incompleteness, as required by 12 CFR §1002.9(c)(1).

Also, the Act requires the Licensee to maintain records of its MLO actions so that the Director can determine compliance. The Department suggests the company review Commentary for 12 CFR §1002.2(f) regarding the company's responsibilities to complete the application. Most specifically, comment 2(f)-5(ii) which provides examples of applications, and Comment 2(f)-6 which describes the due diligence requirements to complete the application.

It appears based on commentary, the company is taking an application but treating the request as an inquiry or prequalification. The Licensee represented that they do not consider the credit bureau pulls completed via the soft pull prequalification an application for credit until the consumer officially completes an application.

The Licensee should be aware that a credit report is not a requirement for an application as defined by 12 CFR §1026.2(a)(3)(ii) which requires, in addition to other elements, the consumers social security number to obtain a credit report. Until the Licensee can demonstrate compliance with the use of the prequalification soft credit pulls to include oversight, handling, and record retention, the Licensee should not be offering this product to consumers seeking a residential mortgage loan.

Topic 5: TILA - 12 C.F.R. §1026.19(a)

- **Findings Title:** Timely Disclosure
 - **Citation Violation:** The creditor shall provide the consumer with good faith estimates of the disclosures and shall deliver or place them in the mail not later than the third business day after the creditor receives the consumer's written application.
 - **Examination Findings:** The Licensee failed to deliver a Loan Estimate (LE) within three days of a completed application. The Licensee obtained the required six items of information (address, loan amount, income, estimate of value, name, and social security number) to satisfy TILA-RESPA Integrated Disclosure (TRID) requirements for a completed application but, failed to timely issue the required initial LE, and failed to timely enter the data into the loan origination software (LOS) to trigger required disclosures. Additionally, this is a repeat violation of a previous Report of Examination. The Licensee failed to take corrective actions within their procedures, enact controls within the (LOS), or failed to audit its production to ensure MLOs timely enter triggering application data into its LOS, to prevent repeated violations.

Topic 6: TILA - 12 C.F.R. §1026.19(e)(1)(i) and (e)(3)(i)

- **Findings Title:** Loan Estimate Tolerance
 - **Citation Violation:** Closing costs disclosed in the Loan Estimate (LE) are in good faith if the charges paid by or imposed on the consumer do not exceed the amount originally disclosed in (e)(1)(i) of this section.
 - **Examination Findings:** The exam team identified loan files that reflect fees exceeding the amount originally disclosed on the LE.

Topic 7: TILA, 12 C.F.R. §1026.19(e)(3)(i)

- **Findings Title:** 0% Tolerance – Good Faith Costs Exceeded
 - **Citation Violation:** An estimated closing cost is in good faith if it does not exceed the amount originally disclosed. A revised estimate may be used in the event of a valid changed circumstance if the revised fee is disclosed to the borrower within three business days of the change. Third-party fees the borrower cannot shop for are subject to a zero percent tolerance limit. In addition, recording fees may increase by no more than ten percent from the amount initially disclosed on the Loan Estimate (LE) without a valid changed circumstance. § 1026.19(e)(3) and (4).
 - **Examination Findings:** Instances were identified where the company charged an appraisal fee on the Closing Disclosure (CD) that exceeded the amount disclosed on the initial Loan Estimate (LE) in section B: “Services You Cannot Shop For.” This section has a zero tolerance for variations or discrepancies from the LE to the CD.

Topic 8: TILA - 12 C.F.R. §1026.19(e)(4)(i)

- **Findings Title:** Loan Estimate - Allowable Reasons and Timing for Revised Disclosure
 - **Citation Violation:** If a creditor uses a revised estimate pursuant to paragraph (e)(3)(iv) of this section, for the purpose of determining good faith under paragraphs (e)(3)(i) and (ii) of this section, the creditor must provide a revised version of the disclosures within three business days of receiving information sufficient to establish that one of the reasons for revision applies.
 - **Examination Findings:** Loan files where the company did not issue a revised LE.

Topic 9: TILA - 12 C.F.R. §1026.19(f)(3)(i)

- **Findings Title:** 0% Tolerance – Collection of Excessive Fees
 - **Citation Violation:** The amount imposed on the consumer for any settlement service shall not exceed the amount actually received by the settlement service provider for that service.
 - **Examination Findings:** A loan had a \$720 charge for an appraisal fee on the final signed CD. The invoice for the appraisal provided in the loan file was \$680 for the appraisal's cost. The borrower was charged \$40 more than the actual cost of the appraisal.

Topic 10: TILA - 12 C.F.R. §1026.38(f)(2)

- **Findings Title:** Closing Disclosure Not Completed Correctly
 - **Citation Violation:** Requires, in part, the name of the person ultimately receiving the payment for each service under the subheading “Services Borrower Did Not Shop For.”
 - **Examination Findings:** The CD provided to borrower disclosed the ultimate recipient for the mortgage insurance premium as “To Be Determined.” For another borrower, the ultimate recipient for 442 Completion (an appraisal fee) was listed as “TBD.”

NON-APPROVED TOPIC LIST

The following course topics have been determined to be noncompliant with the SAFE Act.

- Any course not directly tied to the negotiating, taking, and processing of a residential loan application.
- General Self-Improvement Courses
- Financial Planning Courses
- Any course relating to selling, sales techniques, sales marketing strategies, lead-generation, or business development
- Loan product training (loan sales, product marketing, or advertising)
- Any course topics related to consumer data mining, market segmentation, or minority marketing practices
- Any information technology-related course
- Commercial lending
- Courses on any Federal or State law not directly tied to residential mortgage lending

If you have any questions concerning a topic or want to propose a course topic, contact NMLS at nmls.ed1@csbs.org.