

Notice Regarding Guidance on Development of NMLS Approved Continuing Education Courses (Updated March 21, 2014)

Purpose

The purpose of this notice is to provide guidance to NMLS approved course providers about how to develop courses that are intended to satisfy the annual continuing education (CE) requirements of the SAFE Act.

Background and Reason for the Notice

The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) requires that state-licensed mortgage loan originators (MLOs) complete 8 hours of annual NMLS approved continuing education (CE) which must include the following topics:

- a. 3 hours of Federal law and regulations;
- b. 2 hours of ethics that shall include instruction on fraud, consumer protection, and fair lending issues;
- c. 2 hours of training related to lending standards for the nontraditional mortgage product market, and
- d. 1 hour of undefined instruction on mortgage origination (commonly referred to as an elective).

It should be noted that the SAFE Act's requirement for state-licensed MLOs to complete 8 hours of annual continuing education is a minimum standard and that individual states, through the passage of their own SAFE legislation, may require MLOs to complete a greater number of hours of education. (*As of March 2014, 19 state agencies require state specific education.*)

The SAFE Act also stipulates that a state-licensed MLO "may not take the same approved course in the same or successive years to meet the annual requirements for continuing education." NMLS has interpreted the term "successive years" to mean two years in a row.

In an attempt to satisfy the SAFE Act's education requirements and in response to the "successive year rule," a majority of course providers have initiated a process by which they write and submit for NMLS approval completely new CE courses every year. While this is a wholly acceptable practice, NMLS believes there are different strategies to course design that may benefit the industry.

Guidance on the Development of Continuing Education (CE) Courses

NMLS interprets the intent of the SAFE Act's and state's requirements for annual continuing education to achieve one of three objectives:

- a. To provide new or updated information on federal and state mortgage-related laws including instruction in the application of these laws/rules to MLO activities.

- b. To go into more depth or detail on a particular law, regulation, or program than is typically covered during pre-licensure education.
- c. Present a new topic or sub-topic which is different from what is typically presented as part of pre-licensure education and may be of interest/value to a segment of the mortgage industry (e.g. a program pertaining to reverse mortgages).

To achieve the above objectives, course providers should give consideration to the following when developing and writing content for CE courses: For example:

- a. It is not realistic or appropriate in a CE course to provide detailed information on every federal mortgage law in three hours. The Federal law portion of any CE course should focus on providing comprehensive instruction on major changes that have been enacted within the past year. This includes (but is not limited to) such topics as changes to RESPA, TILA, or other final rules as implemented by the CFPB, Federal Reserve, or other federal agencies.
- b. As an alternative to receiving broad coverage a federal mortgage law, some MLOs may be interested in a more comprehensive understanding of just one or two aspects of a law. For example, there is nothing prohibiting a course provider from devoting all three hours of federal laws to Regulation Z. The same approach could be taken for non-traditional mortgage lending with all 2 hours devoted to single subjects like VA or FHA programs.
- c. With regard to state-specific CE courses, a number of providers have taken the view that it is necessary to write and submit completely new courses as a means to be in compliance with the successive year rule. Given that state laws and regulations do not change that frequently, the complete re-writing of courses (sometimes with a specific “theme”) can be a burdensome process. NMLS is supportive of an approach whereby a state-specific CE course is constructed of material comprised of “standard” instruction on a state’s specific laws and regulations and is supported by case studies or other real world examples which are updated annually and bring new context and meaning to the instruction. Such case studies or examples can be derived from enforcement actions, consent orders, best practices (or practices to avoid) and may also include exams or role-playing exercises that can be updated and refreshed in accordance with the intent of the successive year rule. While courses constructed in this manner still requires an annual review to incorporate any changes that have been enacted to a state’s laws or regulations, and NMLS approval, the employment of “standard” content in the construction of the course makes this an easier process.
- d. A majority of PE courses approved by NMLS focus on those content areas most applicable to preparing an MLO to pass the MLO SAFE test, and follow the national test content outline. However, there are a significant number of topics related to residential mortgage loan origination that could benefit the industry and are not currently being taught. Subjects like understanding credit reports, mortgage math, rural and farm loans, or how to assist distressed/delinquent borrowers are all ideal CE

course topics. Course providers are encouraged to refer to the [*Notice of Mortgage Loan Originator Pre-Licensure and Continuing Education SAFE Act Approved Topic List*](#) for additional course ideas.

When developing courses, course providers are also strongly advised to pay close attention to the course syllabus and associated learning objectives. A course syllabus that indicates an MLO will achieve an understanding of RESPA but only allocates 10 minutes of instruction has essentially outlined a non-achievable learning objective with the result being that NMLS will not approve the course. Course providers are encouraged to review the [model syllabus](#) which is posted on the NMLS Resource Center for more details on this topic.