



**SAFE Mortgage Loan Originator
Professional Requirements
State & Professional Trade
Associations
October 27 & 28, 2009**

State Regulatory Registry LLC
a CSBS company

Your Hosts

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Conference Call Logistics

- The call will be moderated.
- To get in the queue to ask a question, press ***1** and press **#** to remove yourself from the queue.
 - Questions will be answered following the testing and education presentation and at the end of the presentation.
- Please identify yourself and your organization when asking a question.
- The powerpoint slides will be posted to the NMLS Resource Center.

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Agenda

- **Overview: SAFE Professional Requirements**
- **Testing and Education Presentation**
 - Testing and Education: Q &A
- **Other Professional Requirements Presentation**
 - Wrap-up: Q&A

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Overview: Professional Requirements

- **Title V, S.A.F.E. Mortgage Licensing Act**
- **State enabling legislation and regulations passed in 49 states, districts & territories**
 - *(see SAFE Progress Update distributed with login info)*
- **Professional Requirements**
 1. **Pass MLO SAFE Test**
 2. **Complete Pre-licensing (and Continuing Education)**
 3. **Pass a Federal Background Check**
 4. **Authorize Credit Report Pull**

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Testing Requirements

- The SAFE MLO Test consists of:
 - The National Test Component
 - Unique State Test Components (one for each state or agency)
- All state-licensed MLOs must take and pass the National Test Component
- MLOs must take and pass the State Component for each state* in which they seek licensure (*except those included in certification process)

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Test Design and Construction

- National Test Component
 - 100 questions = (90 scored +10 pretest/unscored)
 - 180 minutes for appt; 150 minutes for testing
- State Test Components
 - 65-55 questions = (45-55 scored +10 pretest)
 - 120 minutes for appt; 90 minutes for testing
- Passing score = 75%
 - National Component – 68 correct answers
 - State Components – 34 – 42 correct answers

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Available Test Components

- National Test Component and 18 state components available NOW
(AZ, DC, GA, IA, ID, KY, LA, MA, MD, MI, NH, NC, PA, RI, VA, VT, WA & WY)
- Another 6 state test components will be launched on December 10, 2009
(AR, MS, NE, NM, NY & SD) (*NJ – 1/4/10)
- The remaining state test components will be delivered in 2010 (see Test Development Roadmap distributed)

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States with Early Test Deadlines

The following three states each have testing and education deadlines of December 31, 2009

- New Hampshire
- Pennsylvania
- Rhode Island

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Preparing to Take the Test



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MLO Testing Handbook



Testing

The Massachusetts State Component of the SAFE MLO Test has been temporarily withdrawn. For more information please refer to Testing News on this page.

Getting Started

To learn more about taking a SAFE test, download the [MLO Testing Handbook](#). It is a guide to the entire testing process and aids candidates through the following steps:

1. Selecting and paying for a test enrollment window
2. Finding a test center and scheduling a testing appointment
3. Preparing for a test and taking a test
4. Viewing official test scores in NMLS

See also [Frequently Asked Questions](#)

Background

The Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act) requires that state-licensed loan originators pass a qualified written test developed by the Nationwide Mortgage Licensing System and Registry (NMLS) and

Candidate Tools

- [MLO Testing Handbook](#)
- [Find a Test Center](#)
- [Test Availability Schedule and Content Outlines](#)
- [Test Enrollment Quick Guide - for MLOs](#)
- [Test Enrollment Quick Guide - for Companies](#)
- [Special Test Accommodations](#)
- [Test Retake Policy](#)

Everything you need to know about testing

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Content Outlines

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Content Outlines

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Testing

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3. Preparing for a test and taking a test
4. Viewing official test scores in NMLS

See also [Frequently Asked Questions](#)

Background

The Secure and Fair Enforcement for Mortgage Licensing

Candidate Tools

[MLO Testing Handbook](#)

[Find a Test Center](#)

[Test Availability Schedule and Content Outlines](#)
[Test Enrollment Quick Guide - for MLOs](#)
[Test Enrollment Quick Guide - for Companies](#)

[Special Test Accommodations](#)
[Test Retake Policy](#)

content outlines

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Content Outlines

- Each test component has its own outline
 - national component
 - all state specific components

- Outlines map out:
 - specific test content
 - and*
 - question distribution (weightings)

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Here's what they look like...

SAFE Mortgage Loan Originator Test -- National Component
 Content Outline
 (90 scored test questions; 10 unscored test questions)
 March 6, 2009

- I. Federal mortgage-related laws (35%)**
 - A. RESPA
 - B. Equal Credit Opportunity Act (Reg. B)
 - C. Truth-in-Lending Act (Reg. Z and HOEPA)
 - D. SAFE Act
 - E. Other Federal laws and guidelines
 - 1. Home Mortgage Disclosure Act (HMDA)
 - 2. Fair Credit Reporting Act
 - 3. Privacy protection / Do Not Call
 - 4. FTC Red Flag Rules (Fair and Accurate Credit Transactions Act of 2003)
- II. General mortgage knowledge (25%)**
 - A. Mortgage programs
 - 1. Conventional/conforming
 - 2. Government (FHA, VA, USDA)
 - 3. Conventional/nonconforming (Jumbo, Alt-A, etc.)
 - a. Statement on Subprime Lending
 - b. Guidance on Nontraditional Mortgage Product Risk
 - B. Mortgage loan products
 - 1. Fixed
 - 2. Adjustable
 - 3. Balloon
 - 4. Other (lease equity [fixed and line of credit], construction, reverse mortgage, interest-only)
 - C. Terms used in the operation of the mortgage market
 - 1. Loan terms
 - 2. Disclosure terms
 - 3. Financial terms
 - 4. General terms
- III. Mortgage loan origination activities (25%)**

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Here's what they look like...

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And we should also mention...

- Content outlines are an overview of what will be on the test.
- They can be utilized as a study tool for test takers.

No additional study guides or study materials will be developed or endorsed by NMLS.

Enrolling: Step-by-Step Instructions

Candidate Tools

- [MLO Testing Handbook](#)
- [Find a Test Center](#)
- [Test Availability Schedule and Content Outlines](#)
- [Test Enrollment Quick Guide - for MLOs](#)
- [Test Enrollment Quick Guide - for Companies](#)
- [Special Test Accommodations](#)
- [Test Retake Policy](#)

Test Enrollment Basics

- A candidate does **not have to complete education** prior to enrolling or taking a test.
- Before enrolling, a **candidate must have a unique NMLS ID number** (*must either already have made a filing or created a base record*).
- A candidate **must request and pay for an enrollment in NMLS** before scheduling a test session (**enrollment fees are non-refundable– listed on testing page*).
- Each **enrollment window is open for 180 days**, during which the candidate must schedule to take the test.

Test Enrollment Fees

- The National Test Component: \$92
- Each State Test Component: \$69

“After candidates create enrollments, how do they schedule test appointments?”



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Basics of Test Scheduling

- To schedule, must have **an NMLS ID number**
- 500 test centers for candidates to choose from (Pearson and Prometric)
- After selecting a state on “Find a Test Center” page, a list of all test centers in that state will appear
- Scheduling– **online** or over the phone

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Next Step: Scheduling a Test

Candidate Tools

MLO Testing Handbook

Find a Test Center

[Test Availability Schedule and Content Outlines](#)
[Test Enrollment Quick Guide - for MLOs](#)
[Test Enrollment Quick Guide - for Companies](#)

[Special Test Accommodations](#)
[Test Retake Policy](#)

Basics of Test Scheduling– More Info

- All tests are **available at all test centers**
(i.e. candidate may take AZ test component in PA)
- A company can request a group appointment
(see Prometric or Pearson web sites for more info)

Find a Test Cen

[Test Availability Schedule and Conte](#)
[Test Enrollment Quick Guide - for ML](#)
[Test Enrollment Quick Guide - for Co](#)

[Special Test Accommodations](#)
[Test Retake Policy](#)

*Special accommodations requests may also be necessary.

The Test Center



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Entering the Test Center

- Arrive **30 minutes** prior to test time
- Must bring a current, government-issued **ID with candidate's photo and signature.**
- Will be **photographed**; **finger or palm print** may be taken
- Candidate **may not bring anything** into testing room *(may be asked to show empty pockets)*
- All belongings such as notes, cell phones, watches, wallets **must be placed in locker**
- Basic calculator (not financial calculator) and scratch paper are provided
- Must read and agree to the **Rules of Conduct**

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Completing the Test: Score Reports

At the end of the test session, candidates will:

- see their test scores on their computer screens
- receive a paper copy of their score report

These scores do not become official until they are entered in NMLS.

Within 48 hours of completing a test, candidates will receive an email informing them that their official scores are now ready to be viewed in NMLS.

“What happens if a candidate fails?”

Retake Policy

Candidate Tools

MLO Testing Handbook

Find a Test Center

[Test Availability Schedule and Content Outlines](#)

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[Special Test Accommodations](#)

[Test Retake Policy](#)

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Retake Policy

- Must wait 30 days between each test taking attempt
- May create an enrollment and schedule an appointment, but can't take the test prior to the end of prescribed wait time
- After every fourth failed attempt, a 180 day wait time is instituted

*After passing a test component, a test taker will not be allowed to retake that particular test component.

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Testing Summary

- Get your NMLS ID Number
- Take the National Component ASAP
- Take the State Component(s) when available



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Education Requirements

- State Licensed MLOs must complete:
 - 20 hours of pre-licensure education
 - (once licensed, 8 hours of continuing education)
- The courses must be approved by NMLS
- States may be able to certify education already completed.
- CE is not required in the year in which PE requirements have been completed.

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Education Subject Requirements - PE

Pre-Licensure Education

- 3 hrs Federal
- 3 hrs Ethics
- 2 hrs Non-trad,
consumer protection
- 12 hrs Elective
- 20 hrs Total

*States may require
more than 20 hrs
and/or require state
content be included in
the Elective hours*

*Check with your state
agency*

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Education Subject Requirements - CE

Continuing Education

- 3 hrs Federal
- 2 hrs Ethics
- 2 hrs Non-trad,
consumer protection
- 1 hrs Elective
- 8 hrs Total

*States may require
more than 8 hrs
and/or require state
content be included in
the Elective hours*

*Check with your state
agency*

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Certification

Certification is a process by which states/agencies may recognize or “certify” the education completed or the state tests passed by an MLO, which will allow that MLO to satisfy the Pre-licensure education requirement or the state test component of the SAFE Act.

Certification Process

- States are determining their eligibility
- States will declare their participation
- States will communicate to MLOs
- MLO records will be updated starting in Spring 2010
- **IMPORTANT** - MLOs must have a filing or a record (NMLS ID) in NMLS in order for their education or test results to be certified.

Education Course Formats

Pre-Licensure Education Formats

- Classroom
- Classroom equivalent
- Instructor-led online

Continuing Education Formats

- Classroom
- Classroom equivalent
- Instructor-led online
- *Self-paced online*

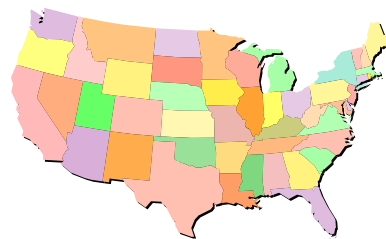
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Education Availability

Courses are
available from **120**
NMLS Approved
Course Providers

Currently there are
166 approved PE
courses



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Associations Encouraged to Apply

Associations – NMLS Approved Course Providers

- | | |
|--------------------------------|--------------------------------|
| 1. Alabama MBA | 9. New York Assoc of MB |
| 2. Connecticut MBA | 10. North Carolina Assoc of MP |
| 3. Florida AMB | 11. Rhode Island MBA |
| 4. Michigan Assoc of MP | 12. Texas MBA |
| 5. Mortgage Bankers Assoc | 13. Vermont MBA |
| 6. NAMB | |
| 7. Mortgage Ed Foundation (IL) | |
| 8. NE Mort Education Council | |

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The Course Provider Approval Process

- NMLS Approval Process: Two-part
- Course provider approval (2 week process)
 - Provider capabilities
 - Experience
 - Compliance with states
 - Instructor guidelines
 - Registration and attendance policies
- PE and CE Course approval (4 week process)
 - Content
 - Format

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The Course Provider Approval Process

The screenshot shows the NMLS Resource Center website. The main heading is "Course Providers". Under "General Information", it states that NMLS requires individuals/organizations to have their pre-licensure or continuing education courses approved. The "Getting Started" section mentions a "Course Provider Resource Page" for more information. The "Application Submission Portal (PULSE)" section lists links for "Submit to become an Approved Provider", "Submit Courses for Approval", and "Report Student Course Hours (Credit Banking)". The "Course Provider News" section features a "Testing Webinar Presentation" and a "Newsletters" list with dates from August 2009 to October 2009. The footer includes "©2009 SRR LLC" and "State Regulatory Registry LLC a CSBS company".

Course provider application assistance

- Rich Madison – Director, Mortgage Education Programs
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 202.728.5737

Time out for Questions about Testing or Education



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Professional Requirements, cont.

- **Professional Requirements**
 1. Pass MLO SAFE Test
 2. Complete Pre-licensing (and Continuing Education)
 3. Provide fingerprints for a Federal Background Check
 4. Provide Credit Report Authorization

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Background Checks

- Regulatory action
- National criminal background check
- Credit report

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Regulatory Action

SAFE Act requires:

- “The applicant has never had a loan originator license revoked in any governmental jurisdiction”
 - Section 1505(b)(1)
- “The State loan originator supervisory authority is required to regularly report violations of such law, as well as enforcement actions and other relevant information to the Nationwide Mortgage Licensing System and Registry”
 - Section 1508(d)(3)

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Criminal Background Checks

SAFE Act requires:

- “In connection with an application to any State for licensing and registration as a State-licensed loan originator, the applicant shall, at a minimum, furnish to the Nationwide Mortgage Licensing System and Registry information concerning the applicant’s identity, including-
 - (1) Fingerprints for submission to the Federal Bureau of Investigation, and any governmental agency or entity authorized to receive such information for a State and national criminal history background check;”
 - Section 1505(a)(1)

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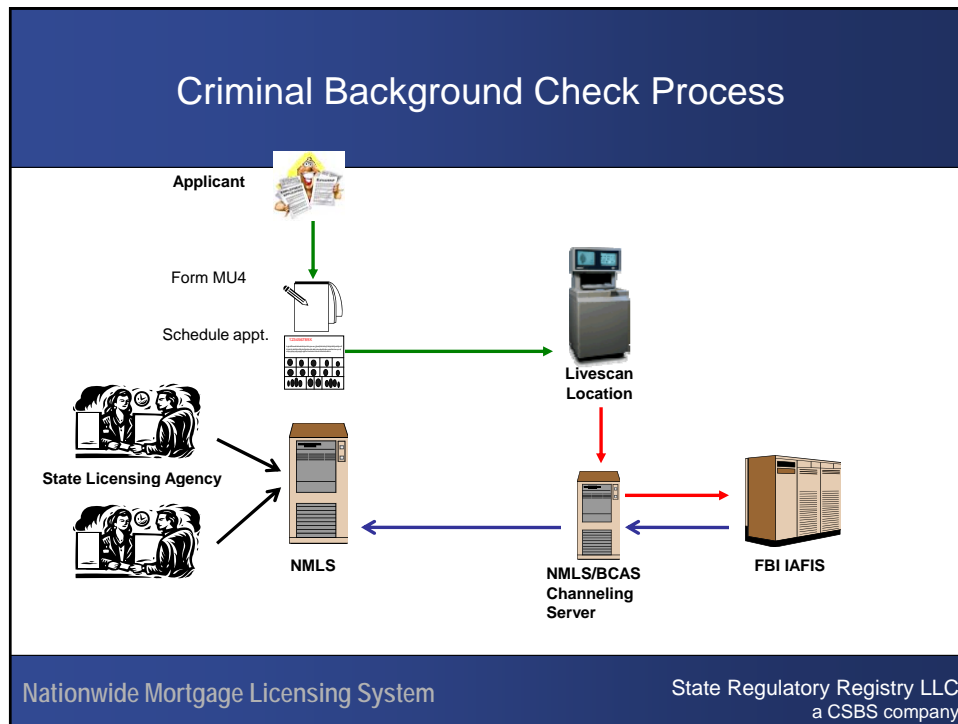
Criminal Background Checks

SAFE Act requires:

- “The applicant has not been convicted of, or pled guilty or nolo contendere to, a felony in a domestic, foreign, or military court-
 - (A) during the 7-year period preceding the date of the application for licensing and registration; or
 - (B) At any time preceding such date of application, if such felony involved an act of fraud, dishonesty, or a breach of trust, or money laundering.”
 - Section 1505(b)(2)

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Criminal Background Checks

- One criminal history records check able to be viewed by all relevant regulators
- New criminal history records check pulled with each new application
- NMLS would allow regulator to require an updated criminal report at any time.
- Fingerprints retained on NMLS such that future criminal records check would not require new prints to be pulled.
- There would be a need for update to fingerprints at some point in the future.

Credit Checks

SAFE Act requires:

- “personal history and experience, including authorization for the System to obtain-
 - (A) an independent credit report obtained from a consumer reporting agency described in section 603(p) of the Fair Credit Reporting Act;”
 - Section 1505(a)(2)(A)

Credit Checks

SAFE Act requires:

- “The applicant has demonstrated financial responsibility, character, and general fitness such as to command the confidence of the community and to warrant a determination that the loan originator will operate honestly, fairly, and efficiently within the purposes of this title.”
 - Section 1505(a)(2)(A)

Credit Checks

From NMLS' Request for Comments:

“Flagging credit history data for specific items in order to decrease the processing time required for regulators to review credit report data.

SRR is concerned that applications for licensure or renewal could be significantly delayed if all state regulators must manually review each credit history report for each state licensed MLO. As outlined above, state regulators are proposing to flag for manual review only those credit histories that contain certain incidences. “

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Credit Checks

- Credit flags in NMLS are for processing efficiencies, not licensing decisioning.
- One credit report to be viewed by all relevant regulators
- New credit report pulled with each new application
- NMLS would allow regulator to require an updated credit report at any time

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NMLS User Conference



Details and registration information is posted on the NMLS Resource Center.

www.stateregulatoryregistry.org/NMLS

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