

AMENDED IN SENATE SEPTEMBER 3, 2009

AMENDED IN SENATE JULY 23, 2009

AMENDED IN ASSEMBLY JUNE 1, 2009

AMENDED IN ASSEMBLY APRIL 2, 2009

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 34

Introduced by Assembly Member Nava
(Principal coauthor: Senator Calderon)

December 1, 2008

An act to amend Sections 10100, 10140.6, 10150, 10151, 10235.5, and 10236.4 of, to add Article 2.1 (commencing with Section 10166.01) to Chapter 3 of Part 1 of Division 4 of, and to repeal Section 10131.8 of, the Business and Professions Code, to amend Sections 22100, 22101, 22101.5, 22102, 22103, 22104, 22106, 22107, 22108, 22109, 22112, 22151, 22152, 22153, 22154, 22155, 22156, 22157, 22159, 22168, 22169, 22170, 22171, 22700, 50002, 50003, 50120, 50121, 50122, 50123, 50124, 50125, 50126, 50128, 50129, 50130, 50200, 50201, 50202, 50204, 50205, 50206, 50208, 50302, 50307, 50310, 50317, 50318, 50320, 50325, ~~50328~~, 50333, 50401, 50700, and 50701 of, to add Sections 22012, 22013, 22014, 22105.1, 22105.2, 22105.3, 22105.4, 22109.1, 22109.2, 22109.3, 22109.4, 22109.5, 22109.6, 22172, 22347, 22755, 50002.5, 50003.5, 50003.6, 50209, 50307.2, and 50513 to, to add Chapter 3.5 (commencing with Section 50140) and Chapter 3.6 (commencing with Section 50150) to Division 20 of, and to repeal Sections 50601, 50602, and 50705 of, the Financial Code, and to add Section 18034 to the Health and Safety Code, relating to mortgages, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 34, as amended, Nava. Real estate, finance lender, and residential mortgage lender licenses: mortgage loan originators.

(1) Existing law, the Real Estate Law, governs the licensing and regulation of real estate licensees, as defined, as administered by the Real Estate Commissioner. Existing law imposes specified requirements on real estate brokers who solicit borrowers or lenders or negotiate loans or collect payments or perform services for borrowers or lenders relative to loans secured by real property. A willful violation of the Real Estate Law is a crime.

This bill would require a real estate license endorsement from the commissioner in order to engage in the business of a mortgage loan originator, as defined. The bill would establish penalties if a real estate licensee fails to obtain a license endorsement before conducting business as a mortgage loan originator and would authorize the commissioner to suspend or revoke a real estate license for a failure to pay these penalties. The bill would require applicants for a license endorsement as a mortgage loan originator to furnish specified background information to the Nationwide Mortgage Licensing System and Registry. The bill would establish standards for issuance and renewal of a license endorsement to act as a mortgage loan originator, including satisfying specified educational requirements. The bill would require these real estate licensees to annually submit business activities reports, and other reports that may be required, to the commissioner. The bill would authorize the commissioner to examine the affairs of real estate brokers, including those that obtain license endorsement as a mortgage loan originator. The bill would require the commissioner to report violations of the provisions regulating real estate brokers and mortgage loan originators to the Nationwide Mortgage Licensing System and Registry. The bill would require recipients of a license endorsement as a mortgage loan originator to use or disclose a specified unique identifier provided by the Nationwide Mortgage Licensing System and Registry in advertisements and solicitations of the mortgage loan originator. The bill would enact other related provisions.

(2) Existing law provides for the licensure and regulation of finance lenders and brokers and residential mortgage lenders and servicers by the Department of Corporations. A willful violation of the laws regulating these licensees is a crime.

This bill would require the licensure and regulation of mortgage loan originators, as defined, under the California Finance Lenders Law and the California Residential Mortgage Lending Act. The bill would require mortgage loan originators to also be licensed and registered through the Nationwide Mortgage Licensing System and Registry. The bill would require applicants for licensure as a mortgage loan originator to furnish specified background information to the Nationwide Mortgage Licensing System and Registry and would require applicants for licensure or license renewal to satisfy certain requirements, including educational requirements. The bill would require finance lenders and brokers, and residential mortgage lenders and servicers, that employ a mortgage loan originator to maintain a minimum net worth of \$250,000. The bill would authorize the commissioner to require finance lenders and brokers, and residential mortgage lenders and servicers, that employ a mortgage loan originator to submit reports of condition to the Nationwide Mortgage Licensing System and Registry. The bill would authorize the commissioner to establish relationships or contracts with the Nationwide Mortgage Licensing System and Registry, as specified, for the purposes of implementing these provisions of the bill. The bill would require a mortgage loan originator to use or disclose a specified unique identifier on all mortgage loan applications, solicitations, or advertisements. The bill would enact other related provisions.

(3) This bill would provide that no person is required to have a mortgage loan originator license under the California Finance Lenders Law or the California Residential Mortgage Lending Act before July 31, 2010, nor a mortgage loan originator license endorsement under the Real Estate Law, as set forth in the bill, before December 31, 2010.

(4) Because a willful violation of these provisions would be a crime, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(5) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10100 of the Business and Professions
2 Code is amended to read:

3 10100. Before denying, suspending or revoking any license or
4 license endorsement issuable or issued under the provisions of this
5 part, the department shall proceed as prescribed by Chapter 5
6 (commencing with Section 11500) of Part 1 of Division 3 of Title
7 2 of the Government Code, and the department shall have all the
8 powers granted therein.

9 SEC. 2. Section 10131.8 of the Business and Professions Code
10 is repealed.

11 SEC. 3. Section 10140.6 of the Business and Professions Code
12 is amended to read:

13 10140.6. (a) A real estate licensee shall not publish, circulate,
14 distribute, or cause to be published, circulated, or distributed in
15 any newspaper or periodical, or by mail, any matter pertaining to
16 any activity for which a real estate license is required that does
17 not contain a designation disclosing that he or she is performing
18 acts for which a real estate license is required.

19 (b) (1) A real estate licensee shall disclose his or her license
20 identification number and, if that licensee is a mortgage loan
21 originator, the unique identifier assigned to that licensee by the
22 Nationwide Mortgage Licensing System and Registry, on all
23 solicitation materials intended to be the first point of contact with
24 consumers and on real property purchase agreements when acting
25 as an agent in those transactions. The commissioner may adopt
26 regulations identifying the materials in which a licensee must
27 disclose a license identification number and, if that licensee is a
28 mortgage loan originator, the unique identifier assigned to that
29 licensee by the Nationwide Mortgage Licensing System and
30 Registry.

31 (2) For purposes of this section, “solicitation materials intended
32 to be the first point of contact with consumers” includes business
33 cards, stationery, advertising fliers, and other materials designed
34 to solicit the creation of a professional relationship between the
35 licensee and a consumer, and excludes an advertisement in print
36 or electronic media and “for sale” signs.

1 (3) Nothing in this section shall be construed to limit or change
2 the requirement described in Section 10236.4 as applicable to real
3 estate brokers.

4 (c) The provisions of this section shall not apply to classified
5 rental advertisements reciting the telephone number at the premises
6 of the property offered for rent or the address of the property
7 offered for rent.

8 (d) “Mortgage loan originator,” “unique identifier,” and
9 “Nationwide Mortgage Licensing System and Registry” have the
10 meanings set forth in Section 10166.01.

11 SEC. 4. Section 10150 of the Business and Professions Code
12 is amended to read:

13 10150. (a) Application for the real estate broker license
14 examination shall be made in writing to the commissioner. The
15 commissioner may prescribe the format and content of the broker
16 examination application. The application for the broker
17 examination shall be accompanied by the real estate broker license
18 examination fee.

19 (b) Persons who have been notified by the commissioner that
20 they passed the real estate broker license examination may apply
21 for a real estate broker license. A person applying for the broker
22 examination may also apply for a real estate broker license.
23 However, a license shall not be issued until the applicant passes
24 the real estate broker license examination. If there is any change
25 to the information contained in a real estate broker license
26 application after the application has been submitted and before the
27 license has been issued, the commissioner may require the applicant
28 to submit a supplement to the application listing the changed
29 information.

30 (c) Application for the real estate broker license shall be made
31 in writing to the commissioner. The commissioner may prescribe
32 the format and content of the broker license application. The
33 application for the real estate broker license shall be accompanied
34 by the appropriate fee.

35 (d) Application for an endorsement to act as a mortgage loan
36 originator, as defined in Section 10166.01, shall be made either
37 electronically or in writing as directed by the commissioner. The
38 commissioner may prescribe the format and content of the
39 mortgage loan originator endorsement application, which shall
40 meet the minimum requirements for licensing of a mortgage loan

1 originator, pursuant to the Secure and Fair Enforcement for
2 Mortgage Licensing Act of 2008 (Public Law 110-289).

3 SEC. 5. Section 10151 of the Business and Professions Code
4 is amended to read:

5 10151. (a) Application for the real estate salesperson license
6 examination shall be made in writing to the commissioner. The
7 commissioner may prescribe the format and content of the
8 salesperson examination application. The application for the
9 salesperson examination shall be accompanied by the real estate
10 salesperson license examination fee.

11 (b) Persons who have been notified by the commissioner that
12 they passed the real estate salesperson license examination may
13 apply for a real estate salesperson license. A person applying for
14 the salesperson examination may also apply for a real estate
15 salesperson license. However, a license shall not be issued until
16 the applicant passes the real estate salesperson license examination.
17 If there is any change to the information contained in a real estate
18 salesperson license application after the application has been
19 submitted and before the license has been issued, the commissioner
20 may require the applicant to submit a supplement to the application
21 listing the changed information.

22 (c) An application for the real estate salesperson license
23 examination or for both the examination and license that is received
24 by the commissioner on or after October 1, 2007, shall include
25 evidence or certification, satisfactory to the commissioner, of
26 successful completion at an accredited institution of a
27 three-semester unit course, or the quarter equivalent thereof, or
28 successful completion of an equivalent course of study as defined
29 in Section 10153.5, in real estate principles as well as the successful
30 completion at an accredited institution of a course in real estate
31 practice and one additional course set forth in Section 10153.2,
32 other than real estate principles, real estate practice, advanced legal
33 aspects of real estate, advanced real estate finance, or advanced
34 real estate appraisal. The applicant shall provide this evidence or
35 certification to the commissioner prior to taking the real estate
36 salesperson license examination.

37 (d) The commissioner shall waive the requirements of this
38 section for the following applicants:

39 (1) An applicant who is a member of the State Bar of California.

1 (2) An applicant who has qualified to take the examination for
2 an original real estate broker license by satisfying the requirements
3 of Section 10153.2.

4 (e) Application for endorsement to act as a mortgage loan
5 originator, as defined in Section 10166.01, shall be made either
6 electronically or in writing as directed by the commissioner. The
7 commissioner may prescribe the format and the content of the
8 mortgage loan originator endorsement application, which shall
9 meet the minimum requirements for licensing of a mortgage loan
10 originator, pursuant to the Secure and Fair Enforcement for
11 Mortgage Licensing Act of 2008 (Public Law 110.289).

12 SEC. 6. Article 2.1 (commencing with Section 10166.01) is
13 added to Chapter 3 of Part 1 of Division 4 of the Business and
14 Professions Code, to read:

15
16 Article 2.1. Secure and Fair Enforcement for Mortgage Licenses

17
18 10166.01. For purposes of this article, the following definitions
19 shall apply:

20 (a) "SAFE Act" means the federal Secure and Fair Enforcement
21 for Mortgage Licensing Act of 2008 (Public Law 110-289).

22 (b) (1) "Mortgage loan originator" means an individual who
23 takes a residential mortgage loan application or offers or negotiates
24 terms of a residential mortgage loan for compensation or gain. An
25 individual real estate licensee acting within the meaning of
26 paragraph (d) of Section 10131 is a mortgage loan originator for
27 purposes of this article with respect to activities involving
28 residential mortgage loans.

29 (2) Mortgage loan originator does not include any of the
30 following:

31 (A) An individual who performs purely administrative or clerical
32 tasks on behalf of a person meeting the definition of a mortgage
33 loan originator, except as otherwise provided in subdivision (c) of
34 Section 10166.03. The term "administrative or clerical tasks"
35 means the receipt, collection, and distribution of information
36 common for the processing or underwriting of a loan in the
37 mortgage industry and communication with a consumer to obtain
38 information necessary for the processing or underwriting of a
39 residential mortgage loan.

1 (B) An individual that only performs real estate brokerage
2 services, as defined in subdivision (a) or (b) of Section 10131,
3 unless that person is compensated by a lender, other mortgage loan
4 originator, or by any agent of any lender or other mortgage loan
5 originator.

6 (C) An individual who solely renegotiates terms for existing
7 mortgage loans held or serviced by his or her employer and who
8 does not otherwise act as a mortgage loan originator, unless the
9 United States Department of Housing and Urban Development or
10 a court of competent jurisdiction determines that the SAFE Act
11 requires such an employee to be licensed as a mortgage loan
12 originator under state laws implementing the SAFE Act.

13 (D) An individual that is solely involved in extensions of credit
14 relating to timeshare plans, as that term is defined in Section
15 101(53D) of Title 11 of the United States Code.

16 (E) An individual licensed or registered as a mortgage loan
17 originator pursuant to the provisions of the Financial Code and the
18 SAFE Act.

19 (c) “Nationwide Mortgage Licensing System and Registry”
20 means a mortgage licensing system developed and maintained by
21 the Conference of State Bank Supervisors and the American
22 Association of Residential Mortgage Regulators for the licensing
23 and registration of mortgage loan originators.

24 (d) “Residential mortgage loan” means any loan primarily for
25 personal, family, or household use that is secured by a mortgage,
26 deed of trust, or other equivalent consensual security interest on
27 a dwelling, or residential real estate upon which is constructed or
28 intended to be constructed a dwelling. “Dwelling” means a
29 residential structure that contains one to four units, whether or not
30 that structure is attached to real property. The term includes an
31 individual condominium unit, cooperative unit, mobilehome, or
32 trailer, if it is used as a residence.

33 (e) “Unique identifier” means a number or other identifier
34 assigned by protocols established by the Nationwide Mortgage
35 Licensing System and Registry.

36 (f) “Loan processor or underwriter” means an individual who
37 performs clerical or support duties as an employee at the direction
38 of, and subject to the supervision and instruction of, a mortgage
39 loan originator.

1 10166.02. (a) A real estate broker who acts pursuant to Section
2 10131.1 or subdivision (d) or (e) of Section 10131, and who makes,
3 arranges, or services loans secured by real property containing one
4 to four residential units, and any salesperson who acts in a similar
5 capacity under the supervision of that broker, shall notify the
6 department ~~within 30 days of the effective date of this section or~~
7 ~~upon~~ *by January 31, 2010, or within 30 days of* commencing that
8 activity, whichever is later. The notification shall be made in
9 writing, as directed, on a form that is acceptable to the
10 commissioner.

11 (b) No individual may engage in business as a mortgage loan
12 originator under this article without first doing both of the
13 following:

14 (1) Obtaining and maintaining a real estate license pursuant to
15 Article 2 (commencing with Section 10150).

16 (2) Obtaining and maintaining a real estate license endorsement
17 pursuant to this article identifying that individual as a licensed
18 mortgage loan originator.

19 (c) License endorsements shall be valid for a period of one year
20 and shall expire on the 31st of December each year.

21 (d) Applicants for a mortgage loan originator license
22 endorsement shall apply in a form prescribed by the commissioner.
23 Each form shall contain content as set forth by rule, regulation,
24 instruction, or procedure of the commissioner.

25 (e) In order to fulfill the purposes of this article, the
26 commissioner may establish relationships or contracts with the
27 Nationwide Mortgage Licensing System and Registry or other
28 entities designated by the Nationwide Mortgage Licensing System
29 and Registry to collect and maintain records and process transaction
30 fees or other fees related to licensees or other persons subject to
31 this article.

32 (f) A real estate broker who fails to notify the department
33 pursuant to subdivision (a), or who fails to obtain a license
34 endorsement required pursuant to paragraph (2) of subdivision (b),
35 shall be assessed a penalty of fifty dollars (\$50) per day for each
36 day written notification has not been received or a license
37 endorsement has not been obtained, up to and including the 30th
38 day after the first day of the assessment penalty. On and after the
39 31st day, the penalty is one hundred dollars (\$100) per day, not to
40 exceed a total penalty of ten thousand dollars (\$10,000), regardless

1 of the number of days, until the department receives the written
2 notification or the licensee obtains the license endorsement.
3 Penalties for violations of subdivisions (a) and (b) shall be additive.

4 (g) The commissioner may suspend or revoke the license of a
5 real estate broker who fails to pay a penalty imposed pursuant to
6 this section. In addition, the commissioner may bring an action in
7 an appropriate court of this state to collect payment of that penalty.

8 (h) All penalties paid or collected under this section shall be
9 deposited into the Recovery Account of the Real Estate Fund and
10 shall, upon appropriation by the Legislature, be available for
11 expenditure for the purposes specified in Chapter 6.5 (commencing
12 with Section 10470).

13 10166.03. (a) A loan processor or underwriter who does not
14 represent to the public, through advertising or other means of
15 communicating or providing information, including the use of
16 business cards, stationery, brochures, signs, rate lists, or other
17 promotional items, that the individual can or will perform any of
18 the activities of a mortgage loan originator shall not be required
19 to obtain a license endorsement as a mortgage loan originator.

20 (b) An individual engaging solely in loan processor or
21 underwriter activities shall not represent to the public, through
22 advertising or other means of communicating or providing
23 information including the use of business cards, stationery,
24 brochures, signs, rate lists, or other promotional items, that the
25 individual can or will perform any of the activities of a mortgage
26 loan originator.

27 (c) An independent contractor who is employed by a mortgage
28 loan originator may not engage in the activities of a loan processor
29 or underwriter for a residential mortgage loan unless the
30 independent contractor loan processor or underwriter obtains and
31 maintains an endorsement as a mortgage loan originator under this
32 article. Each independent contractor loan processor or underwriter
33 who obtains and maintains an endorsement as a mortgage loan
34 originator under this article shall have and maintain a valid unique
35 identifier issued by the Nationwide Mortgage Licensing System
36 and Registry.

37 10166.04. (a) In connection with an application to the
38 commissioner for a license endorsement as a mortgage loan
39 originator, every applicant shall furnish to the Nationwide

1 Mortgage Licensing System and Registry information concerning
2 the applicant's identity, including the following:

3 (1) Fingerprint images and related information, for purposes of
4 performing a federal, or both a state and federal, criminal history
5 background check.

6 (2) Personal history and experience in a form prescribed by the
7 Nationwide Mortgage Licensing System and Registry, including
8 the submission of authorization for the Nationwide Mortgage
9 Licensing System and Registry and the commissioner to obtain
10 both of the following:

11 (A) An independent credit report from a consumer reporting
12 agency.

13 (B) Information related to any administrative, civil, or criminal
14 findings by any governmental jurisdiction.

15 (b) The commissioner may ask the Nationwide Mortgage
16 Licensing System and Registry to obtain state criminal history
17 background check information on applicants described in
18 subdivision (a) using the procedures set forth in subdivisions (c)
19 and (d).

20 (c) If the Nationwide Mortgage Licensing System and Registry
21 electronically submits fingerprint images and related information,
22 as required by the Department of Justice, for an applicant for a
23 mortgage loan originator license endorsement, to the Department
24 of Justice for the purposes of obtaining information as to the
25 existence and content of a record of state convictions and state
26 arrests, and as to the existence and content of a record of state
27 arrests for which the Department of Justice establishes that the
28 person is free on bail or on his or her recognizance pending trial
29 or appeal, the Department of Justice shall provide an electronic
30 response to the Nationwide Mortgage Licensing System and
31 Registry pursuant to paragraph (1) of subdivision (p) of Section
32 11105 of the Penal Code, and shall provide the same electronic
33 response to the department.

34 (d) The Nationwide Mortgage Licensing System and Registry
35 may request from the Department of Justice subsequent arrest
36 notification service, as provided pursuant to Section 11105.2 of
37 the Penal Code, for persons described in subdivision (a). The
38 Department of Justice shall provide the same electronic response
39 to the department.

1 (e) The Department of Justice shall charge a fee sufficient to
2 cover the cost of processing the requests described in this section.

3 10166.05. Notwithstanding any other provision of law, the
4 commissioner shall not issue a license endorsement to act as a
5 mortgage loan originator to an applicant unless the commissioner
6 makes all of the following findings:

7 (a) The applicant has never had a mortgage loan originator
8 license revoked in any governmental jurisdiction, except that a
9 subsequent formal vacation of a revocation shall not be deemed a
10 revocation.

11 (b) The applicant has not been convicted of, or pled guilty or
12 nolo contendere to, a felony in a domestic, foreign, or military
13 court, under either of the following conditions, however, any
14 pardon of a conviction shall not be considered a conviction for
15 purposes of this subdivision:

16 (1) During the seven-year period preceding the date of the
17 application for licensing.

18 (2) At any time preceding the date of application, if the felony
19 involved an act of fraud, dishonesty, a breach of trust, or money
20 laundering.

21 (c) The applicant has demonstrated such financial responsibility,
22 character, and general fitness as to command the confidence of
23 the community and warrant a determination that the mortgage loan
24 originator will operate honestly, fairly, and efficiently within the
25 purposes of the article.

26 (d) The applicant has complied with the education and written
27 testing requirements in Section 10166.06.

28 10166.06. (a) In addition to the requirements of Section 10153,
29 an applicant for a license endorsement as a mortgage loan
30 originator shall complete at least 20 hours of education courses,
31 which shall include at least the following:

32 (1) Three hours of federal law and regulations.

33 (2) Three hours of ethics, which shall include instruction on
34 fraud, consumer protection, and fair lending issues.

35 (3) Two hours of training related to lending standards for the
36 nontraditional mortgage product marketplace.

37 (b) For purposes of this section, education courses are only
38 acceptable if they have been reviewed and approved, or otherwise
39 deemed acceptable, by the Nationwide Mortgage Licensing System
40 and Registry, in accordance with the SAFE Act. Education may

1 be offered in a classroom, online, or by any other means approved
2 by the Nationwide Mortgage Licensing System and Registry, in
3 accordance with the SAFE Act.

4 (c) A person who successfully completes the education
5 requirements approved by the Nationwide Mortgage Licensing
6 System and Registry in any state other than California shall be
7 granted credit by the commissioner toward completion of the
8 education requirements of this section.

9 (d) Before being issued a license endorsement to act as a
10 mortgage loan originator, an individual shall pass a qualified
11 written test developed or otherwise deemed acceptable by the
12 Nationwide Mortgage Licensing System and Registry and
13 administered by a test provider approved or otherwise deemed
14 acceptable by the Nationwide Mortgage Licensing System and
15 Registry.

16 (e) A written test shall not be treated as a qualified written test
17 for purposes of this section, unless the test adequately measures
18 the applicant's knowledge and comprehension in the following
19 subject areas: ethics, federal law and regulation pertaining to
20 mortgage origination, state law and regulation pertaining to
21 mortgage origination, and federal and state law and regulation
22 relating to fraud, consumer protection, the nontraditional mortgage
23 marketplace, and fair lending issues.

24 (f) Nothing in this section shall prohibit a test provider approved
25 by the Nationwide Mortgage Licensing System and Registry from
26 providing a test at the location of the employer of the applicant or
27 any subsidiary or affiliate of the employer of the applicant, or any
28 entity with which the applicant holds an exclusive arrangement to
29 conduct the business of a mortgage loan originator.

30 (g) An individual shall not be considered to have passed a
31 qualified written test administered pursuant to this section unless
32 the individual achieves a test score of not less than 75 percent
33 correct answers to questions.

34 (h) An individual who fails the qualified written test may retake
35 the test up to three consecutive times, although at least 30 days
36 must pass between each retesting.

37 (i) An applicant who fails three consecutive retests must wait
38 at least six months before retesting.

39 (j) A mortgage loan originator who fails to maintain a valid
40 license endorsement for a period of five years or longer or who

1 fails to register as a mortgage loan originator in accordance with
2 applicable California law shall retake the qualified written test.

3 10166.07. (a) A real estate broker who acts pursuant to Section
4 10131.1 or subdivision (d) or (e) of Section 10131, and who makes,
5 arranges, or services one or more loans in a calendar year that are
6 secured by real property containing one to four residential units,
7 shall annually file a business activities report, within 90 days after
8 the end of the broker’s fiscal year or within any additional time as
9 the commissioner may allow for filing for good cause. The report
10 shall contain within its scope all of the following information for
11 the fiscal year, relative to the business activities of the broker and
12 those of any other brokers and real estate salespersons acting under
13 that broker’s supervision:

14 (1) Name and license number of the supervising broker and
15 names and license numbers of the real estate brokers and
16 salespersons under that broker’s supervision. The report shall
17 include brokers and salespersons who were under the supervising
18 broker’s supervision for all or part of the year.

19 (2) A list of the real estate-related activities in which the
20 supervising broker and the brokers and salespersons under his or
21 her supervision engaged during the prior year. This listing shall
22 identify all of the following:

23 (A) Activities relating to mortgages, including arranging,
24 making, or servicing.

25 (B) Other activities performed under the real estate broker’s or
26 salesperson’s license.

27 (C) Activities performed under related licenses, including, but
28 not limited to, a license to engage as a finance lender or a finance
29 broker under the California Finance Lenders Law (Division 9
30 (commencing with Section 22000) of the Financial Code), or a
31 license to engage as a residential mortgage lender or residential
32 mortgage loan servicer under the California Residential Mortgage
33 Lending Act (Division 20 (commencing with Section 50000) of
34 the Financial Code).

35 (3) A list of the forms of media used by the broker and those
36 under his or her supervision to advertise to the public, including
37 print, radio, television, the Internet, or other means.

38 (4) For fixed rate loans made, brokered, or serviced, all of the
39 following:

1 (A) The total number, aggregate principal amount, lowest
2 interest rate, highest interest rate, and a list of the institutional
3 lenders of record. If the loan was funded by any lender other than
4 an institutional lender, the broker shall categorize the loan as
5 privately funded.

6 (B) The total number and aggregate principal amount of covered
7 loans, as defined in Section 4970 of the Financial Code.

8 (C) The total number and aggregate principal amount of loans
9 for which Department of Real Estate form RE Form 885 or an
10 equivalent is required.

11 (5) For adjustable rate loans made, brokered, or serviced, all of
12 the following:

13 (A) The total number, aggregate principal amount, lowest
14 beginning interest rate, highest beginning interest rate, highest
15 margin, and a list of the institutional lenders of record. If the loan
16 was funded by any lender other than an institutional lender, the
17 broker shall categorize the loan as privately funded.

18 (B) The total number and aggregate principal amount of covered
19 loans, as defined in Section 4970 of the Financial Code.

20 (C) The total number and aggregate principal amount of loans
21 for which Department of Real Estate form RE Form 885 or an
22 equivalent is required.

23 (6) For all loans made, brokered, or serviced, the total number
24 and aggregate principal amount of loans funded by institutional
25 lenders, and the total number and aggregate principal amount of
26 loans funded by private lenders.

27 (7) For all loans made, brokered, or serviced, the total number
28 and aggregate principal amount of loans that included a prepayment
29 penalty, the minimum prepayment penalty length, the maximum
30 prepayment penalty length, and the number of loans with
31 prepayment penalties whose length exceeded the length of time
32 before the borrower's loan payment amount could increase.

33 (8) For all loans brokered, the total compensation received by
34 the broker, including yield spread premiums, commissions, and
35 rebates, but excluding compensation used to pay fees for third-party
36 services on behalf of the borrower.

37 (9) For all mortgage loans made or brokered, the total number
38 of loans for which a mortgage loan disclosure statement was
39 provided in a language other than English, and the number of forms
40 provided per language other than English.

1 (10) For all mortgage loans serviced, the total amount of funds
2 advanced to be applied toward a payment to protect the security
3 of the note being serviced.

4 (11) For purposes of this section, an institutional lender has the
5 meaning specified in paragraph (1) of subdivision (c) of Section
6 10232.

7 (b) A broker subject to this section and Section 10232.2 may
8 file consolidated reports that include all of the information required
9 under this section and Section 10232.2. Those consolidated reports
10 shall clearly indicate that they are intended to satisfy the
11 requirements of both sections.

12 (c) If a broker subject to this section fails to timely file the report
13 required under this section, the commissioner may cause an
14 examination and report to be made and may charge the broker one
15 and one-half times the cost of making the examination and report.
16 In determining the hourly cost incurred by the commissioner for
17 conducting an examination and preparing the report, the
18 commissioner may use the estimated average hourly cost for all
19 department audit staff performing audits of real estate brokers. If
20 a broker fails to pay the commissioner’s cost within 60 days of the
21 mailing of a notice of billing, the commissioner may suspend the
22 broker’s license or deny renewal of that license. The suspension
23 or denial shall remain in effect until the billed amount is paid or
24 the broker’s right to renew a license has expired. The commissioner
25 may maintain an action for the recovery of the billed amount in
26 any court of competent jurisdiction.

27 (d) The report described in this section is exempted from any
28 requirement of public disclosure by paragraph (2) of subdivision
29 (d) of Section 6254 of the Government Code.

30 (e) The commissioner may waive the requirement to submit
31 certain information described in paragraphs (1) to (10), inclusive,
32 of subdivision (a) if the commissioner determines that this
33 information is duplicative of information required by the
34 Nationwide Mortgage Licensing System and Registry, pursuant
35 to Section 10166.08.

36 10166.08. Each mortgage loan originator shall submit reports
37 of condition to the Nationwide Mortgage Licensing System and
38 Registry reports of condition, and those reports shall be in the form
39 and shall contain information as the Nationwide Mortgage
40 Licensing System and Registry may require.

1 10166.09. The minimum standards for renewal of an
2 endorsement as a mortgage loan originator shall include the
3 following:

4 (a) The mortgage loan originator continues to meet the minimum
5 standards for obtaining an endorsement as a mortgage loan
6 originator.

7 (b) The mortgage loan originator satisfies the annual continuing
8 education requirements described in Section 10166.10.

9 10166.10. (a) A mortgage loan originator shall complete at
10 least eight hours of continuing education annually, which shall
11 include at least three hours relating to federal law and regulations,
12 two hours of ethics, which shall include instruction on fraud,
13 consumer protection, and fair lending issues, and two hours related
14 to lending standards for the nontraditional mortgage product
15 marketplace.

16 (b) For purposes of subdivision (a), continuing education courses
17 and course providers shall be reviewed and approved by the
18 commissioner and the Nationwide Mortgage Licensing System
19 and Registry.

20 (c) The commissioner shall have the authority to substitute any
21 of the courses described in subdivision (a) for the course
22 requirements of Section 10170.5, subject to a finding that the
23 course requirements in subdivision (a) and the course completion
24 standards in subdivision (g) of Section 10166.06 are substantially
25 equivalent to, and meet the intent of, Section 10170.5.

26 (d) Nothing in this section shall preclude any education course,
27 as approved by the commissioner and the Nationwide Mortgage
28 Licensing System and Registry, that is provided by the employer
29 of the mortgage loan originator or an entity that is affiliated with
30 the mortgage loan originator by an agency contract, or any
31 subsidiary or affiliate of the employer or entity.

32 (e) Continuing education may be offered either in a classroom,
33 online, or by any other means approved by the commissioner and
34 the Nationwide Mortgage Licensing System and Registry.

35 (f) A mortgage loan originator may only receive credit for a
36 continuing education course in the year in which the course is
37 taken.

38 (g) A mortgage loan originator may not take the same approved
39 course in the same or successive years to meet the requirements
40 of this section for continuing education.

1 (h) A mortgage loan originator who is an instructor of an
2 approved continuing education course may receive credit for his
3 or her own annual continuing education requirement at the rate of
4 two hours credit for every one hour taught.

5 (i) A person who successfully completes the education
6 requirements approved by the Nationwide Mortgage Licensing
7 System and Registry in any state other than California shall be
8 granted credit by the commissioner towards completion of
9 continuing education requirements in this state.

10 (j) A mortgage loan originator whose license endorsement
11 lapses, expires, or is suspended or revoked, and who wishes to
12 regain his or her license endorsement, shall complete continuing
13 education requirements for the last year in which the endorsement
14 was held, prior to issuance of a new or renewed endorsement.

15 10166.11. (a) A real estate broker who acts pursuant to Section
16 10131.1 or subdivision (d) or (e) of Section 10131 and who makes,
17 arranges, or services loans secured by real property containing one
18 to four residential units, shall keep documents and records that
19 will properly enable the commissioner to determine whether the
20 residential mortgage brokerage, servicing, and lending functions
21 performed by the broker comply with this division and with all
22 applicable rules and orders made by the commissioner. These
23 documents shall include, at a minimum, the documents described
24 in Section 10148. Upon request of the commissioner, a real estate
25 broker shall file an authorization for disclosure to the commissioner
26 of financial records of his or her licensed business pursuant to
27 Section 7473 of the Government Code.

28 (b) Notwithstanding subdivision (a) of Section 10148, the
29 business documents and records of real estate brokers described
30 in subdivision (a) and real estate salespersons acting under those
31 brokers are subject to inspection and examination or audit by the
32 commissioner, at his or her discretion, after reasonable notice.
33 That real estate broker or salesperson shall, upon request by the
34 commissioner and within the time period specified in that request,
35 allow the commissioner, or his or her authorized representative,
36 to inspect and copy any business documents and records. The
37 commissioner may suspend or revoke the license of the broker or
38 salesperson if he or she fails to produce documents or records
39 within the time period specified in the request.

1 (c) Inspection and examination or audit reports prepared by the
2 commissioner's duly designated representatives pursuant to this
3 section are not public records. Those reports may be disclosed to
4 the officers or directors of a licensee that is the subject of the report
5 for the purpose of corrective action. That disclosure shall not
6 operate as a waiver of the exemption specified in subdivision (d)
7 of Section 6254 of the Government Code.

8 10166.12. (a) As often as the commissioner deems necessary
9 and appropriate, the commissioner shall examine the affairs of
10 each real estate broker who is required to notify the commissioner
11 or obtain a license endorsement pursuant to Section 10166.02 for
12 compliance with this part. These examinations shall also include
13 a review of the affairs of all real estate brokers and real estate
14 salespersons acting under the supervision of each real estate broker
15 who is required to file reports with the department pursuant to
16 Section 10166.07. The commissioner shall appoint suitable persons
17 to perform these examinations. The commissioner and his or her
18 appointees may examine the books, records, and documents of the
19 licensee, and may examine the licensee's officers, directors,
20 employees, or agents under oath regarding the licensee's
21 operations. The commissioner may cooperate with any agency of
22 the state or federal government, other states, agencies, the Federal
23 National Mortgage Association, or the Federal Home Loan
24 Mortgage Corporation. The commissioner may accept an
25 examination conducted by one of these entities in place of an
26 examination by the commissioner under this section, unless the
27 commissioner determines that the examination does not provide
28 information necessary to enable the commissioner to fulfill his or
29 her responsibilities under this division.

30 (b) The commissioner may impose a penalty against a real estate
31 broker or real estate salesperson whose affairs are examined or
32 reviewed pursuant to subdivision (a) based on the findings of the
33 examination or review. The commissioner may suspend or revoke
34 the license or license endorsement of a real estate broker or real
35 estate salesperson who fails to pay that penalty. In addition, the
36 commissioner may bring an action in an appropriate court of this
37 state to collect payment of the penalty.

38 (c) Penalties collected pursuant to subdivision (b) shall be
39 deposited into the Recovery Account of the Real Estate Fund and
40 shall, upon appropriation by the Legislature, be available for

1 expenditure for the purposes specified in Chapter 6.5 (commencing
2 with Section 10470).

3 (d) The statement of the findings of an examination conducted
4 pursuant to this section shall belong to the commissioner and shall
5 not be disclosed to anyone other than the licensee, law enforcement
6 officials, or other state or federal regulatory agencies for further
7 investigation and enforcement. Reports required of licensees by
8 the commissioner under this division and results of examinations
9 performed by the commissioner under this division are the property
10 of the commissioner.

11 10166.13. A real estate broker who acts pursuant to Section
12 10131.1 or subdivision (d) or (e) of Section 10131 and who makes,
13 arranges, or services loans secured by real property containing one
14 to four residential units shall make any special reports to the
15 commissioner that the commissioner may, from time to time,
16 require.

17 10166.14. A real estate broker shall notify the department when
18 he or she is no longer subject to this part. If a broker has already
19 made reports required by Sections 10166.07 and 10166.08 within
20 the year, he or she shall continue reports for that year, but shall
21 notify the department prior to the expiration of that year that he
22 or she will no longer be subject to this part in the succeeding year.

23 10166.15. (a) The commissioner shall regularly report
24 violations of this article, as well as enforcement actions taken
25 against any mortgage loan originator to whom an endorsement has
26 been issued, and enforcement actions taken against any individual
27 for failure to obtain an endorsement as a mortgage loan originator,
28 to the Nationwide Mortgage Licensing System and Registry.

29 (b) The commissioner shall establish a process that may be used
30 by mortgage loan originators to challenge information entered into
31 the Nationwide Mortgage Licensing System and Registry by the
32 commissioner.

33 (c) The commissioner is authorized to promulgate regulations
34 specifying (1) the recordkeeping requirements that mortgage loan
35 originators shall satisfy and (2) the penalties that shall apply to
36 mortgage loan originators for violations of this article.

37 10166.16. (a) Except as otherwise provided in Section 1512
38 of the SAFE Act, the requirements under any federal or state law
39 regarding the privacy or confidentiality of any information or
40 material provided to the Nationwide Mortgage Licensing System

1 and Registry, and any privilege arising under federal or state law,
2 including the rules of any federal or state court, with respect to
3 that information or material, shall continue to apply to the
4 information or material after the information or material has been
5 disclosed to the Nationwide Mortgage Licensing System and
6 Registry. The information and material may be shared with all
7 state and federal regulatory officials with mortgage industry
8 oversight authority without the loss of privilege or the loss of
9 confidentiality protections provided by federal or state law.

10 (b) For these purposes, the commissioner is authorized to enter
11 agreements or sharing arrangements with other governmental
12 agencies, the Conference of State Bank Supervisors, the American
13 Association of Residential Mortgage Regulators, or other
14 associations representing governmental agencies as established by
15 rule, regulation or order of the commissioner.

16 (c) Information or material that is subject to a privilege or
17 confidentiality under subdivision (a) shall not be subject to either
18 of the following:

19 (1) Disclosure under any federal or state law governing the
20 disclosure to the public of information held by an officer or an
21 agency of the federal government or the state.

22 (2) Subpoena or discovery, or admission into evidence, in any
23 private civil action or administrative process, unless with respect
24 to any privilege held by the Nationwide Mortgage Licensing
25 System and Registry with respect to the information or material,
26 the person to whom the information or material pertains waives,
27 in whole or in part, in the discretion of the person, that privilege.

28 (d) This section shall not apply with respect to the information
29 or material relating to the employment history of, and publicly
30 adjudicated disciplinary and enforcement actions against, mortgage
31 loan originators that is included in the Nationwide Mortgage
32 Licensing System and Registry for access by the public.

33 10166.17. In addition to any other duties imposed upon the
34 commissioner by law, the commissioner shall require mortgage
35 loan originators to be licensed and registered through the
36 Nationwide Mortgage Licensing System and Registry. In order to
37 carry out this requirement the commissioner is authorized to
38 participate in the Nationwide Mortgage Licensing System and
39 Registry. For this purpose, the commissioner may establish by

1 rule, regulation, or order, requirements as necessary, including,
2 but not limited to, the following:

3 (a) Background checks for the following:

4 (1) Criminal history through fingerprint or other databases.

5 (2) Civil or administrative records.

6 (3) Credit history.

7 (4) Any other information as deemed necessary by the
8 Nationwide Mortgage Licensing System and Registry.

9 (b) The payment of fees to apply for or renew licenses through
10 the Nationwide Mortgage Licensing System and Registry.

11 (c) The setting or resetting as necessary of renewal or reporting
12 dates.

13 (d) Requirements for amending or surrendering a license or any
14 other activities as the commissioner deems necessary for
15 participation in the Nationwide Mortgage Licensing System and
16 Registry.

17 SEC. 7. Section 10235.5 of the Business and Professions Code
18 is amended to read:

19 10235.5. (a) No real estate licensee or mortgage loan originator
20 shall place an advertisement disseminated primarily in this state
21 for a loan unless there is disclosed within the printed text of that
22 advertisement, or the oral text in the case of a radio or television
23 advertisement, the Department of Real Estate license number and
24 the unique identifier assigned to that licensee by the Nationwide
25 Mortgage Licensing System and Registry under which the loan
26 would be made or arranged.

27 (b) “Mortgage loan originator,” “unique identifier,” and
28 “Nationwide Mortgage Licensing System and Registry” have the
29 meanings set forth in Section 10166.01.

30 SEC. 8. Section 10236.4 of the Business and Professions Code
31 is amended to read:

32 10236.4. (a) In compliance with Section 10235.5, every
33 licensed real estate broker shall also display his or her license
34 number on all advertisements where there is a solicitation for
35 borrowers or potential investors. Every mortgage loan originator,
36 as defined in Section 10166.01, shall also display the unique
37 identifier assigned to that individual by the Nationwide Mortgage
38 Licensing System and Registry on all advertisements where there
39 is a solicitation for borrowers.

1 (b) The disclosures required by Sections 10232.4 and 10240
2 shall include the licensee’s license number, the mortgage loan
3 originator’s unique identifier, if applicable, and the department’s
4 license information telephone number.

5 (c) “Mortgage loan originator,” “unique identifier,” and
6 “Nationwide Mortgage Licensing System and Registry” have the
7 meanings set forth in Section 10166.01.

8 SEC. 9. Section 22012 is added to the Financial Code, to read:
9 22012. (a) “Branch office license” means a license to engage
10 in business as a finance lender or broker at a location other than
11 the location identified in a finance lender or broker license
12 application or amended application.

13 (b) “Depository institution” has the same meaning as in Section
14 3 of the Federal Deposit Insurance Act, and includes any credit
15 union.

16 (c) “Federal banking agencies” means the Board of Governors
17 of the Federal Reserve System, the Comptroller of the Currency,
18 the Director of the Office of Thrift Supervision, the National Credit
19 Union Administration, and the Federal Deposit Insurance
20 Corporation.

21 (d) “Nationwide Mortgage Licensing System and Registry”
22 means a mortgage licensing system developed and maintained by
23 the Conference of State Bank Supervisors and the American
24 Association of Residential Mortgage Regulators for the licensing
25 and registration of licensed mortgage loan originators.

26 (e) “Residential mortgage loan” means any loan primarily for
27 personal, family, or household use that is secured by a mortgage,
28 deed of trust, or other equivalent consensual security interest on
29 a dwelling, as defined in Section 103(v) of the federal Truth in
30 Lending Act, or residential real estate upon which is constructed
31 or intended to be constructed a dwelling. “Dwelling” means a
32 residential structure that contains one to four units, whether or not
33 that structure is attached to real property. The term includes an
34 individual condominium unit, cooperative unit, mobilehome, or
35 trailer, if it is used as a residence.

36 (f) “SAFE Act” means the federal Secure and Fair Enforcement
37 for Mortgage Licensing Act of 2008 (Public Law 110-289).

38 (g) “Unique identifier” means a number or other identifier
39 assigned by protocols established by the Nationwide Mortgage
40 Licensing System and Registry.

1 (h) For purposes of Sections 22109.2, 22109.3, and 22109.5,
2 “nontraditional mortgage product” means any mortgage product
3 other than a 30-year fixed rate mortgage.

4 SEC. 10. Section 22013 is added to the Financial Code, to read:

5 22013. (a) “Mortgage loan originator” means an individual
6 who, for compensation or gain, or in the expectation of
7 compensation or gain, takes a residential mortgage loan application
8 or offers or negotiates terms of a residential mortgage loan.

9 (b) Mortgage loan originator does not include any of the
10 following:

11 (1) An individual who performs purely administrative or clerical
12 tasks on behalf of a person meeting the definition of a mortgage
13 loan originator, except as provided in subdivision (c) of Section
14 22014. The term “administrative or clerical tasks” means the
15 receipt, collection, and distribution of information common for
16 the processing or underwriting of a loan in the mortgage industry
17 and communication with a consumer to obtain information
18 necessary for the processing or underwriting of a residential
19 mortgage loan, to the extent that the communication does not
20 include offering or negotiating loan rates or terms, or counseling
21 consumers about residential mortgage loan rates or terms.

22 (2) An individual who solely renegotiates terms for existing
23 mortgage loans held or serviced by his or her employer and who
24 does not otherwise act as a mortgage loan originator, unless the
25 United States Department of Housing and Urban Development or
26 a court of competent jurisdiction determines that the SAFE Act
27 requires such an employee to be licensed as a mortgage loan
28 originator under state laws implementing the SAFE Act.

29 (3) An individual that is solely involved in extensions of credit
30 relating to timeshare plans, as that term is defined in Section
31 101(53D) of Title 11 of the United States Code.

32 (4) An individual licensed as a mortgage loan originator pursuant
33 to the provisions of Article 2.1 (commencing with Section
34 10166.01) of Chapter 3 of Part 1 of Division 4 of the Business and
35 Professions Code and the SAFE Act.

36 (c) “Registered mortgage loan originator” means any individual
37 who is all of the following:

- 38 (1) Meets the definition of mortgage loan originator.
- 39 (2) Is an employee of a depository institution, a subsidiary that
40 is owned and controlled by a depository institution and regulated

1 by a federal banking agency, or an institution regulated by the
2 Farm Credit Administration.

3 (3) Is registered with, and maintains a unique identifier through,
4 the Nationwide Mortgage Licensing System and Registry.

5 (d) “Loan processor or underwriter” means an individual who
6 performs clerical or support duties as an employee at the direction
7 of, and subject to the supervision and instruction of, a mortgage
8 loan originator licensed by the state or a registered mortgage loan
9 originator.

10 SEC. 11. Section 22014 is added to the Financial Code, to read:

11 22014. (a) A loan processor or underwriter who does not
12 represent to the public, through advertising or other means of
13 communicating or providing information, including the use of
14 business cards, stationery, brochures, signs, rate lists, or other
15 promotional items, that the individual can or will perform any of
16 the activities of a mortgage loan originator shall not be required
17 to be licensed as a mortgage loan originator.

18 (b) An individual engaging solely in loan processor or
19 underwriter activities shall not represent to the public, through
20 advertising or other means of communicating or providing
21 information including the use of business cards, stationery,
22 brochures, signs, rate lists, or other promotional items, that the
23 individual can or will perform any of the activities of a mortgage
24 loan originator.

25 (c) An independent contractor may not engage in the activities
26 of a loan processor or underwriter for a residential mortgage loan
27 unless the independent contractor loan processor or underwriter
28 obtains and maintains a mortgage loan originator license under
29 this division. Each independent contractor loan processor or
30 underwriter licensed as a mortgage loan originator shall have and
31 maintain a valid unique identifier issued by the Nationwide
32 Mortgage Licensing System and Registry.

33 SEC. 12. Section 22100 of the Financial Code is amended to
34 read:

35 22100. (a) No person shall engage in the business of a finance
36 lender or broker without obtaining a license from the commissioner.

37 (b) Every licensee engaging in the business of making or
38 brokering residential mortgage loans shall require that every
39 mortgage loan originator employed or compensated by that licensee
40 obtains and maintains a mortgage loan originator license from the

1 commissioner under this division or Division 20 (commencing
2 with Section 50000), or has first obtained a license endorsement
3 from the Commissioner of Real Estate pursuant to Article 2.1
4 (commencing with Section 10166.01) of Chapter 3 of Part 1 of
5 Division 4 of the Business and Professions Code.

6 (c) A finance lender or broker shall not employ a mortgage loan
7 originator whose license or license endorsement has lapsed.

8 (d) A finance lender or broker may not make or broker a
9 residential mortgage loan unless that loan is offered by, negotiated
10 by, or applied for through a licensed mortgage loan originator.

11 (e) Every licensee engaged in the business of making or
12 brokering residential mortgage loans and every mortgage loan
13 originator licensed under this division shall register with and
14 maintain a valid unique identifier issued by the Nationwide
15 Mortgage Licensing System and Registry.

16 SEC. 13. Section 22101 of the Financial Code is amended to
17 read:

18 22101. (a) An application for a license as a finance lender or
19 broker under this division shall be in the form and contain the
20 information that the commissioner may by rule require and shall
21 be filed upon payment of the fee specified in Section 22103.

22 (b) Notwithstanding any other provision of law, an applicant
23 who does not currently hold a license as a finance lender or broker
24 under this division shall furnish with his or her application, a full
25 set of fingerprints and related information for purposes of the
26 commissioner conducting a criminal history record check. The
27 commissioner shall obtain and receive criminal history information
28 from the Department of Justice and the Federal Bureau of
29 Investigation pursuant to Section 22101.5.

30 (c) Nothing in this section shall be construed to prevent a
31 licensee from engaging in the business of a finance lender through
32 a subsidiary corporation if the subsidiary corporation is licensed
33 pursuant to this division.

34 (d) For purposes of this section, “subsidiary corporation” means
35 a corporation that is wholly owned by a licensee.

36 (e) A new application shall not be required for a change in the
37 address of an existing location previously licensed under this
38 division. However, the licensee shall comply with the requirements
39 of Section 22153.

1 (f) Notwithstanding subdivisions (a) to (e), inclusive, the
2 commissioner may by rule require an application to be made
3 through the Nationwide Mortgage Licensing System and Registry,
4 and may require fees, fingerprints, financial statements, supporting
5 documents, changes of address, and any other information, and
6 amendments or modifications thereto, to be submitted in the same
7 manner.

8 SEC. 14. Section 22101.5 of the Financial Code is amended
9 to read:

10 22101.5. (a) The commissioner shall submit to the Department
11 of Justice fingerprint images and related information required by
12 the Department of Justice of all finance lender and broker license
13 candidates, as defined by subdivision (a) of Section 22101, for
14 purposes of obtaining information as to the existence and content
15 of a record of state or federal convictions, state or federal arrests,
16 and information as to the existence and content of a record of state
17 or federal arrests for which the Department of Justice establishes
18 that the person is free on bail or on his or her own recognizance
19 pending trial or appeal.

20 (b) When received, the Department of Justice shall forward to
21 the Federal Bureau of Investigation requests for federal summary
22 criminal history information received pursuant to this section. The
23 Department of Justice shall review the information returned from
24 the Federal Bureau of Investigation and compile and disseminate
25 a response to the commissioner.

26 (c) The Department of Justice shall provide a response to the
27 commissioner pursuant to paragraph (1) of subdivision (p) of
28 Section 11105 of the Penal Code.

29 (d) The commissioner shall request from the Department of
30 Justice subsequent arrest notification service, as provided pursuant
31 to Section 11105.2 of the Penal Code, for license candidates
32 described in subdivision (a).

33 (e) The Department of Justice shall charge a fee sufficient to
34 cover the costs of processing the requests pursuant to this section.

35 (f) Notwithstanding subdivisions (a) to (e), inclusive, the
36 commissioner may by rule require fingerprints submitted by an
37 applicant to be submitted to the Nationwide Mortgage Licensing
38 System and Registry in addition to the Department of Justice.

39 SEC. 15. Section 22102 of the Financial Code is amended to
40 read:

1 22102. (a) A finance lender or broker licensee seeking to
2 engage in business at a new location shall submit an application
3 for a branch office license to the commissioner at least 10 days
4 before engaging in business at a new location and pay the fee
5 required by Section 22103. The commissioner may require an
6 applicant seeking to engage in business at a new location to submit
7 its application, or parts thereof, through the Nationwide Mortgage
8 Licensing System and Registry.

9 (b) The licensee may engage in business at the new location 10
10 days after the date of submission of a branch office application.

11 (c) (1) The commissioner shall approve or deny the person
12 responsible for the lending activity at the new location in
13 accordance with Section 22109, and shall notify the licensee of
14 this decision within 90 days of the date of receipt of the application.

15 (2) If the commissioner denies the application, the licensee shall,
16 within 10 days of the date of receipt of notification of the
17 commissioner's denial, submit a new application to the
18 commissioner designating a different person responsible for the
19 lending activity at the new location. The commissioner shall
20 approve or deny the different person as provided in paragraph (1).

21 (d) A licensee shall not engage in business at a new location in
22 a name other than a name approved by the commissioner.

23 (e) The commissioner may adopt regulations to implement the
24 requirements of this section.

25 (f) A branch office license to engage in business at a new
26 location shall be issued in accordance with this section. A change
27 of street address of a place of business designated in a license shall
28 be made in accordance with Section 22153 and shall not constitute
29 a new location subject to the requirements of this section.

30 SEC. 16. Section 22103 of the Financial Code is amended to
31 read:

32 22103. At the time of filing the application for a finance lender,
33 broker, or branch office license, the applicant shall pay to the
34 commissioner the sum of one hundred dollars (\$100) as a fee for
35 investigating the application, plus the cost of fingerprint processing
36 and the criminal history record check under Section 22101.5, and
37 two hundred dollars (\$200) as an application fee. The investigation
38 fee, including the amount for the criminal history record check,
39 and the application fee are not refundable if an application is denied
40 or withdrawn.

1 SEC. 17. Section 22104 of the Financial Code is amended to
2 read:

3 22104. (a) The applicant shall file with the application for a
4 finance lender or broker license financial statements prepared in
5 accordance with generally accepted accounting principles and
6 acceptable to the commissioner that indicate a net worth of at least
7 twenty-five thousand dollars (\$25,000). Except as provided in
8 subdivision (b), a licensee shall maintain a net worth of at least
9 twenty-five thousand dollars (\$25,000) at all times.

10 (b) A licensee employing one or more mortgage loan originators
11 shall continuously maintain a minimum net worth of at least two
12 hundred fifty thousand dollars (\$250,000).

13 (c) The commissioner may promulgate rules or regulations with
14 respect to the requirements for minimum net worth, as are
15 necessary to accomplish the purposes of this division and comply
16 with the SAFE Act.

17 SEC. 18. Section 22105.1 is added to the Financial Code, to
18 read:

19 22105.1. (a) An applicant for a mortgage loan originator
20 license shall apply by submitting the uniform form prescribed for
21 such purpose by the Nationwide Mortgage Licensing System and
22 Registry. The commissioner may require the submission of
23 additional information or supporting documentation to the
24 department.

25 (b) Section 461 of the Business and Professions Code shall not
26 be applicable to the Department of Corporations when using a
27 national uniform application adopted or approved for use by the
28 Nationwide Mortgage Licensing System and Registry in connection
29 with the SAFE Act.

30 (c) In connection with an application for a license as a mortgage
31 loan originator, the applicant shall, at a minimum, furnish to the
32 Nationwide Mortgage Licensing System and Registry information
33 concerning the applicant's identity, including the following:

34 (1) Fingerprint images and related information, for purposes of
35 performing a federal, or both a state and federal, criminal history
36 background check.

37 (2) Personal history and experience in a form prescribed by the
38 Nationwide Mortgage Licensing System and Registry, including
39 the submission of authorization for the Nationwide Mortgage

1 Licensing System and Registry and the commissioner to obtain
2 both of the following:

3 (A) An independent credit report obtained from a consumer
4 reporting agency.

5 (B) Information related to any administrative, civil, or criminal
6 findings by any governmental jurisdiction.

7 (d) The commissioner may ask the Nationwide Mortgage
8 Licensing System and Registry to obtain state criminal history
9 background check information on applicants described in
10 subdivision (a) using the procedures set forth in subdivisions (e)
11 and (f).

12 (e) If the Nationwide Mortgage Licensing System and Registry
13 electronically submits fingerprint images and related information,
14 as required by the Department of Justice, for an applicant for a
15 mortgage loan originator license, for the purposes of obtaining
16 information as to the existence and content of a record of state
17 convictions and state arrests and to the existence and content of a
18 record of state arrests for which the Department of Justice
19 establishes that the person is free on bail or on his or her
20 recognizance pending trial or appeal, the Department of Justice
21 shall provide an electronic response to the Nationwide Mortgage
22 Licensing System and Registry pursuant to paragraph (1) of
23 subdivision (p) of Section 11105 of the Penal Code, and shall
24 provide the same electronic response to the commissioner.

25 (f) The Nationwide Mortgage Licensing System and Registry
26 may request from the Department of Justice subsequent arrest
27 notification service, as provided pursuant to Section 11105.2 of
28 the Penal Code, for persons described in subdivision (a). The
29 Department of Justice shall provide the same electronic response
30 to the commissioner.

31 (g) The Department of Justice shall charge a fee sufficient to
32 cover the cost of processing the requests described in this section.

33 SEC. 19. Section 22105.2 is added to the Financial Code, to
34 read:

35 22105.2. (a) The commissioner is authorized to establish
36 relationships or contracts with the Nationwide Mortgage Licensing
37 System and Registry or other entities designated by the Nationwide
38 Mortgage Licensing System and Registry to collect and maintain
39 records and process transaction fees or other fees related to
40 licensees or other persons subject to this division.

1 (b) For the purpose of participating in the Nationwide Mortgage
2 Licensing System and Registry, the commissioner is authorized
3 to waive or modify, in whole or in part, by rule, regulation, or
4 order, any or all of the requirements of this division and to establish
5 new requirements as reasonably necessary to participate in the
6 Nationwide Mortgage Licensing System and Registry.

7 (c) The commissioner may use the Nationwide Mortgage
8 Licensing System and Registry as a channeling agent for requesting
9 information from, and distributing information to, the Department
10 of Justice or any governmental agency.

11 (d) The commissioner may use the Nationwide Mortgage
12 Licensing System and Registry as a channeling agent for requesting
13 and distributing information to and from any source so directed
14 by the commissioner.

15 (e) The commissioner shall establish a process where applicants
16 and licensees may challenge information entered into the
17 Nationwide Mortgage Licensing System and Registry by the
18 commissioner.

19 SEC. 20. Section 22105.3 is added to the Financial Code, to
20 read:

21 22105.3. (a) Except as otherwise provided in Section 1512 of
22 the SAFE Act, the requirements under any federal or state law
23 regarding the privacy or confidentiality of any information or
24 material provided to the Nationwide Mortgage Licensing System
25 and Registry, and any privilege arising under federal or state law,
26 including the rules of any federal or state court, with respect to
27 that information or material, shall continue to apply to the
28 information or material after the information or material has been
29 disclosed to the Nationwide Mortgage Licensing System and
30 Registry. The information and material may be shared with all
31 state and federal regulatory officials with mortgage industry
32 oversight authority without the loss of privilege or the loss of
33 confidentiality protections provided by federal or state law.

34 (b) For these purposes, the commissioner is authorized to enter
35 agreements or share arrangements with other governmental
36 agencies, the Conference of State Bank Supervisors, the American
37 Association of Residential Mortgage Regulators, or other
38 associations representing governmental agencies as established by
39 rule, regulation, or order of the commissioner.

1 (c) Information or material that is subject to a privilege or
2 confidentiality under subdivision (a) shall not be subject to the
3 following:

4 (1) Disclosure under any federal or state law governing the
5 disclosure to the public of information held by an officer or an
6 agency of the federal government or the state.

7 (2) Subpoena or discovery, or admission into evidence, in any
8 private civil action or administrative process, unless with respect
9 to any privilege held by the Nationwide Mortgage Licensing
10 System and Registry with respect to the information or material,
11 the person to whom the information or material pertains waives,
12 in whole or in part, in the discretion of the person, that privilege.

13 (3) This section shall not apply with respect to the information
14 or material relating to the employment history of, and publicly
15 adjudicated disciplinary and enforcement actions against, mortgage
16 loan originators that is included in the Nationwide Mortgage
17 Licensing System and Registry for access by the public.

18 SEC. 21. Section 22105.4 is added to the Financial Code, to
19 read:

20 22105.4. The commissioner shall regularly report violations
21 of this division, as well as enforcement actions and other relevant
22 information, to the Nationwide Mortgage Licensing System and
23 Registry, to the extent that information is public record.

24 SEC. 22. Section 22106 of the Financial Code is amended to
25 read:

26 22106. (a) The finance lender or broker license shall state the
27 name of the licensee, and if the licensee is a partnership, the names
28 of its general partners, and if a corporation or an association, the
29 date and place of its incorporation or organization, and the address
30 of the licensee’s principal business location. On the approval and
31 licensing of a location pursuant to Section 22101 or 22102, the
32 commissioner shall issue an original license endorsed to show the
33 address of the authorized location and, if applicable, the name of
34 the subsidiary corporation licensed to operate the location. The
35 license shall state whether the licensee is licensed as a finance
36 lender or a broker.

37 (b) An application for a license for a business location outside
38 this state shall constitute an agreement by the applicant to do all
39 of the following:

1 (1) Make the licensee's books, accounts, papers, records, and
2 files available to the commissioner or the commissioner's
3 representatives in this state.

4 (2) Pay the reasonable expenses for travel, meals, and lodging
5 of the commissioner or the commissioner's representatives incurred
6 during any investigation or examination made at the licensee's
7 location outside this state.

8 A licensee located outside this state is not required to maintain
9 books and records regarding licensed loans separate from those
10 for other loans if the licensed loans can be readily identified.

11 SEC. 23. Section 22107 of the Financial Code is amended to
12 read:

13 22107. (a) Each finance lender or broker licensee shall pay to
14 the commissioner its pro rata share of all costs and expenses,
15 including the costs and expenses associated with the licensing of
16 mortgage loan originators it employs, reasonably incurred in the
17 administration of this division, as estimated by the commissioner,
18 for the ensuing year and any deficit actually incurred or anticipated
19 in the administration of the program in the year in which the
20 assessment is made. The pro rata share shall be the proportion that
21 a licensee's gross income bears to the aggregate gross income of
22 all licensees as shown by the annual financial reports to the
23 commissioner, for the costs and expenses remaining after the
24 amount assessed pursuant to subdivision (c).

25 (b) On or before the 30th day of November in each year, the
26 commissioner shall notify each licensee of the amount assessed
27 and levied against it and that amount shall be paid by December
28 31. If payment is not made by December 31, the commissioner
29 shall assess and collect a penalty, in addition to the assessment, of
30 1 percent of the assessment for each month or part of a month that
31 the payment is delayed or withheld.

32 (c) In the levying and collection of the assessment, a licensee
33 shall neither be assessed for nor be permitted to pay less than two
34 hundred fifty dollars (\$250) per licensed location per year.

35 (d) If a licensee fails to pay the assessment on or before the 31st
36 day of January following the day upon which payment is due, the
37 commissioner may by order summarily suspend or revoke the
38 certificate issued to the licensee. If, after an order is made, a request
39 for hearing is filed in writing within 30 days, and a hearing is not
40 held within 60 days thereafter, the order is deemed rescinded as

1 of its effective date. During any period when its certificate is
2 revoked or suspended, a finance lender or broker licensee and any
3 mortgage loan originator licensee employed by the finance lender
4 or broker shall not conduct business pursuant to this division except
5 as may be permitted by order of the commissioner. However, the
6 revocation, suspension, or surrender of a certificate shall not affect
7 the powers of the commissioner as provided in this division.

8 (e) The commissioner shall, by rule, establish the timelines,
9 fees, and assessments applicable to applicants for original mortgage
10 loan originator licenses, license renewals, and license changes
11 under this division.

12 (f) Notwithstanding subdivisions (a) to (e), inclusive, the
13 commissioner may by rule require licensees to pay assessments
14 through the Nationwide Mortgage Licensing System and Registry.

15 SEC. 24. Section 22108 of the Financial Code is amended to
16 read:

17 22108. (a) The commissioner may by rule require licensees
18 to file, at the times that he or she may specify, the information that
19 he or she may reasonably require regarding any changes in the
20 information provided in any application filed pursuant to this
21 division.

22 (b) The commissioner may by rule require a licensee to file
23 information through the Nationwide Mortgage Licensing System
24 and Registry.

25 SEC. 25. Section 22109 of the Financial Code is amended to
26 read:

27 22109. (a) Upon reasonable notice and opportunity to be heard,
28 the commissioner may deny the application for a finance leader
29 or broker license for any of the following reasons:

30 (1) A false statement of a material fact has been made in the
31 application.

32 (2) The applicant or an officer, director, general partner, person
33 responsible for the applicant's lending activities in this state, or
34 person owning or controlling, directly or indirectly, 10 percent or
35 more of the outstanding interests or equity securities of the
36 applicant has, within the last 10 years, been convicted of or pleaded
37 nolo contendere to a crime, or committed an act involving
38 dishonesty, fraud, or deceit, if the crime or act is substantially
39 related to the qualifications, functions, or duties of a person
40 engaged in business in accordance with this division.

1 (3) The applicant or an officer, director, general partner, person
2 responsible for the applicant's lending activities in this state, or
3 person owning or controlling, directly or indirectly, 10 percent or
4 more of the outstanding interests or equity securities of the
5 applicant has violated any provision of this division or the rules
6 thereunder or any similar regulatory scheme of the State of
7 California or a foreign jurisdiction.

8 (4) The applicant employs a mortgage loan originator who is
9 not licensed, or has not initiated an application to become licensed,
10 pursuant to this division.

11 (b) The application shall be considered withdrawn within the
12 meaning of this section if the applicant fails to respond to a written
13 notification of a deficiency in the application within 90 days of
14 the date of the notification.

15 (c) The commissioner shall, within 60 days from the filing of
16 a full and complete application for a license with the fees, either
17 issue a license or file a statement of issues prepared in accordance
18 with Chapter 5 (commencing with Section 11500) of Part 1 of
19 Division 3 of Title 2 of the Government Code.

20 SEC. 26. Section 22109.1 is added to the Financial Code, to
21 read:

22 22109.1. The commissioner shall not issue a mortgage loan
23 originator license unless the commissioner makes, at a minimum,
24 the following findings:

25 (a) The applicant has never had a mortgage loan originator
26 license revoked in any governmental jurisdiction, except that a
27 subsequent formal vacation of a revocation shall not be deemed a
28 revocation.

29 (b) The applicant has not been convicted of, or pled guilty or
30 nolo contendere to, a felony in a domestic, foreign, or military
31 court, as follows:

32 (1) During the seven-year period preceding the date of the
33 application for licensing and registration.

34 (2) At any time preceding the date of application, if the felony
35 involved an act of fraud, dishonesty, or a breach of trust, or money
36 laundering.

37 (3) Provided that any pardon of a conviction shall not be a
38 conviction for purposes of this subdivision.

39 (c) The applicant has demonstrated such financial responsibility,
40 character, and general fitness as to command the confidence of

1 the community and to warrant a determination that the mortgage
2 loan originator will operate honestly, fairly, and efficiently within
3 the purposes of this division.

4 (d) The applicant has completed the prelicensing education
5 requirement described in Section 22109.2.

6 (e) The applicant has passed a written test that meets the test
7 requirement described in Section 22109.3.

8 (f) The applicant is employed by, and subject to the supervision
9 of, a finance lender or broker that has obtained a license from the
10 commissioner pursuant to this division.

11 SEC. 27. Section 22109.2 is added to the Financial Code, to
12 read:

13 22109.2. (a) An applicant for a mortgage loan originator
14 license shall complete at least 20 hours of education approved in
15 accordance with subdivision (b). The education shall include at
16 least the following:

17 (1) Three hours of instruction on federal law and regulations.

18 (2) Three hours of ethics, which shall include instruction on
19 fraud, consumer protection, and fair lending issues.

20 (3) Two hours of training related to lending standards for the
21 nontraditional mortgage product marketplace.

22 (b) For purposes of subdivision (a), prelicensing education
23 courses shall be reviewed and approved by the Nationwide
24 Mortgage Licensing System and Registry. Review and approval
25 of a prelicensing education course shall include review and
26 approval of the course provider.

27 (c) Nothing in this section shall preclude any prelicensing
28 education course, as approved by the Nationwide Mortgage
29 Licensing System and Registry, that is provided by the employer
30 of the applicant or an entity that is affiliated with the applicant by
31 an agency contract, or any subsidiary or affiliate of the employer
32 or entity.

33 (d) Prelicensing education may be offered either in a classroom,
34 online, or by any other means approved by the Nationwide
35 Mortgage Licensing System and Registry.

36 (e) The prelicensing education requirements approved by the
37 Nationwide Mortgage Licensing System and Registry for any state
38 other than California shall be accepted as credit toward completion
39 of prelicensing education requirements in California.

1 (f) An individual previously licensed under this division as a
2 mortgage loan originator, applying to be licensed again, shall prove
3 that he or she has completed all of the continuing education
4 requirements for the year in which the license was last held.

5 SEC. 28. Section 22109.3 is added to the Financial Code, to
6 read:

7 22109.3. (a) An applicant for a mortgage loan originator
8 license shall pass a qualified written test developed by the
9 Nationwide Mortgage Licensing System and Registry and
10 administered by a test provider approved by the Nationwide
11 Mortgage Licensing System and Registry.

12 (b) A written test shall not be treated as a qualified written test
13 for purposes of subdivision (a) unless the test adequately measures
14 the applicant's knowledge and comprehension in appropriate
15 subject areas, including all of the following:

16 (1) Ethics.

17 (2) Federal law and regulation relating to mortgage origination.

18 (3) State law and regulation relating to mortgage origination.

19 (4) Federal and state law and regulation, including instruction
20 on fraud, consumer protection, the nontraditional mortgage
21 marketplace, and fair lending issues.

22 (c) Nothing in this section shall prohibit a test provider approved
23 by the Nationwide Mortgage Licensing System and Registry from
24 providing a test at the location of the employer of the applicant or
25 the location of any subsidiary or affiliate of the employer of the
26 applicant, or the location of any entity with which the applicant
27 holds an exclusive arrangement to conduct the business of a
28 mortgage loan originator.

29 (d) An individual shall not be considered to have passed a
30 qualified written test administered pursuant to this section unless
31 the individual achieves a test score of not less than 75 percent of
32 correct answers to questions.

33 (e) An individual who fails the qualified written test may retake
34 the test up to three consecutive times, although at least 30 days
35 shall pass between each retesting.

36 (f) An applicant who fails three consecutive retests shall wait
37 at least six months before retesting.

38 (g) A licensed mortgage loan originator who fails to maintain
39 a valid license for a period of five years or longer shall retake the

1 test, not taking into account any time during which the individual
2 is a registered mortgage loan originator.

3 SEC. 29. Section 22109.4 is added to the Financial Code, to
4 read:

5 22109.4. (a) A mortgage loan originator shall comply with
6 the requirements of this section on or before December 31 of every
7 year.

8 (b) The minimum standards for license renewal for a mortgage
9 loan originator shall include the following:

10 (1) The mortgage loan originator continues to meet the minimum
11 standards for license issuance under Section 22109.1.

12 (2) The mortgage loan originator has satisfied the annual
13 continuing education requirements described in Section 22109.5.

14 (3) The mortgage loan originator, or the finance lender or broker
15 employing the mortgage loan originator, has paid all required fees
16 for renewal of the license as provided in Section 22107.

17 (c) The license of a mortgage loan originator failing to satisfy
18 the minimum standards for license renewal shall expire at midnight
19 on January 31, except as provided in subdivision (h) of Section
20 22109.5. The commissioner may adopt procedures for the
21 reinstatement of expired licenses consistent with the standards
22 established by the Nationwide Mortgage Licensing System and
23 Registry.

24 SEC. 30. Section 22109.5 is added to the Financial Code, to
25 read:

26 22109.5. (a) A licensed mortgage loan originator shall
27 complete at least eight hours of continuing education approved in
28 accordance with subdivision (b). The continuing education shall
29 include at least the following:

30 (1) Three hours of instruction on federal law and regulations.

31 (2) Two hours of ethics, which shall include instruction on fraud,
32 consumer protection, and fair lending issues.

33 (3) Two hours of training related to lending standards for the
34 nontraditional mortgage product marketplace.

35 (b) For purposes of this section, continuing education courses
36 shall be reviewed and approved by the Nationwide Mortgage
37 Licensing System and Registry. Review and approval of a
38 continuing education course shall include review and approval of
39 the course provider.

1 (c) Nothing in this section shall preclude any education course,
2 as approved by the Nationwide Mortgage Licensing System and
3 Registry, that is provided by the employer of the mortgage loan
4 originator or an entity which is affiliated with the mortgage loan
5 originator by an agency contract, or any subsidiary or affiliate of
6 the employer or entity.

7 (d) Continuing education may be offered in a classroom, online,
8 and by any other means approved by the Nationwide Mortgage
9 Licensing System and Registry.

10 (e) Except as provided in subdivision (i), a licensed mortgage
11 loan originator:

12 (1) May only receive credit for a continuing education course
13 in the year in which the course is taken.

14 (2) May not take the same approved course in the same or
15 successive years to meet the annual requirements for continuing
16 education.

17 (f) A licensed mortgage loan originator who is an approved
18 instructor of an approved continuing education course may receive
19 credit for the licensed mortgage loan originator's own annual
20 continuing education requirement at the rate of two hours credit
21 for every one hour taught.

22 (g) A person who has successfully completed continuing
23 education requirements approved by the Nationwide Mortgage
24 Licensing System and Registry for any state other than California
25 shall be granted credit toward completion of continuing education
26 requirements in California.

27 (h) A licensed mortgage loan originator who subsequently
28 becomes unlicensed shall complete the continuing education
29 requirements for the last year in which the license was held prior
30 to issuance of a new or renewed license.

31 (i) A person meeting the requirements of paragraphs (1) and (3)
32 of subdivision (b) of Section 22109.4 may correct any deficiency
33 in continuing education as established by rule or regulation of the
34 commissioner.

35 SEC. 31. Section 22109.6 is added to the Financial Code, to
36 read:

37 22109.6. In addition to any other duties imposed upon the
38 commissioner by law, the commissioner shall require mortgage
39 loan originators to be licensed and registered through the
40 Nationwide Mortgage Licensing System and Registry. In order to

1 carry out this requirement, the commissioner is authorized to
2 participate in the Nationwide Mortgage Licensing System and
3 Registry. For this purpose, the commissioner may establish by
4 rule, regulation, or order, requirements as necessary, including,
5 but not limited to, the following:

6 (a) Background information for the following:

7 (1) Criminal history through fingerprint or other databases.

8 (2) Civil or administrative records.

9 (3) Credit history.

10 (4) Any other information as deemed necessary by the
11 Nationwide Mortgage Licensing System and Registry.

12 (b) The payment of fees to apply for or renew licenses through
13 the Nationwide Mortgage Licensing System and Registry.

14 (c) The setting or resetting as necessary of renewal or reporting
15 dates.

16 (d) Requirements for amending or surrendering a license or any
17 other activities as the commissioner deems necessary for
18 participation in the Nationwide Mortgage Licensing System and
19 Registry.

20 SEC. 32. Section 22112 of the Financial Code is amended to
21 read:

22 22112. (a) A licensee shall maintain a surety bond in
23 accordance with this subdivision in a minimum amount of
24 twenty-five thousand dollars (\$25,000). The bond shall be payable
25 to the commissioner and issued by an insurer authorized to do
26 business in this state. An original surety bond, including any and
27 all riders and endorsements executed subsequent to the effective
28 date of the bond, shall be filed with the commissioner within 10
29 days of execution. For licensees with multiple licensed locations,
30 only one surety bond is required. The bond shall be used for the
31 recovery of expenses, fines, and fees levied by the commissioner
32 in accordance with this division or for losses or damages incurred
33 by borrowers or consumers as the result of a licensee's
34 noncompliance with the requirements of this division.

35 (b) When an action is commenced on a licensee's bond, the
36 commissioner may require the filing of a new bond. Immediately
37 upon recovery of any action on the bond, the licensee shall file a
38 new bond. Failure to file a new bond within 10 days of the recovery
39 on a bond, or within 10 days after notification by the commissioner

1 that a new bond is required, constitutes sufficient grounds for the
2 suspension or revocation of the license.

3 (c) The commissioner ~~shall~~ *may* by rule require a higher bond
4 amount for a licensee employing one or more mortgage loan
5 originators, based on the dollar amount of residential mortgage
6 loans originated by that licensee and any mortgage loan originators
7 employed by that licensee. Every mortgage loan originator
8 employed by the licensee shall be covered by the surety bond.

9 SEC. 33. Section 22151 of the Financial Code is amended to
10 read:

11 22151. (a) A finance lender license, broker license, and the
12 license of every mortgage loan originator employed by a lender
13 or finance broker, along with any currently effective order of the
14 commissioner approving a different name pursuant to Section
15 22155, shall be conspicuously posted in the place of business
16 authorized by the license.

17 (b) A license is not transferable or assignable. A license issued
18 to a partnership or a limited partnership is not transferred or
19 assigned within the meaning of this section by the death,
20 withdrawal, or admission of a partner, general partner, or limited
21 partner, unless the death, withdrawal, or admission dissolves the
22 partnership to which the license was issued.

23 SEC. 34. Section 22152 of the Financial Code is amended to
24 read:

25 22152. A finance lender or broker licensee shall maintain only
26 one place of business under a duplicate or original license issued
27 pursuant to Section 22101 or 22102. The commissioner may issue
28 more than one license to the same licensee upon compliance with
29 all the provisions of this division governing an original issuance
30 of a license.

31 SEC. 35. Section 22153 of the Financial Code is amended to
32 read:

33 22153. (a) If a finance lender or broker licensee seeks to
34 change its place of business to a street address other than that
35 designated in its license, the licensee shall provide notice to the
36 commissioner at least 10 days prior to the change. The
37 commissioner shall notify the licensee within 10 days if the
38 commissioner disapproves the change, and if the commissioner
39 does not notify the licensee of disapproval within 10 days, the
40 change in address shall be deemed approved. The commissioner

1 may require an applicant to submit its application to change its
2 place of business through the Nationwide Mortgage Licensing
3 System and Registry.

4 (b) If notice is not given at least 10 days prior to the change of
5 a street address of a place of business, as required by subdivision
6 (a), or notice is not given at least 10 days prior to engaging in
7 business at a new location, as required by Section 22102, the
8 commissioner may assess a civil or administrative penalty on the
9 licensee not to exceed five hundred dollars (\$500).

10 SEC. 36. Section 22154 of the Financial Code is amended to
11 read:

12 22154. (a) No licensee shall conduct the business of making
13 loans under this division within any office, room, or place of
14 business in which any other business is solicited or engaged in, or
15 in association or conjunction therewith, except as is authorized in
16 writing by the commissioner upon the commissioner's finding that
17 the character of the other business is such that the granting of the
18 authority would not facilitate evasions of this division or of the
19 rules and regulations made pursuant to this division. An
20 authorization once granted remains in effect until revoked by the
21 commissioner. The commissioner may authorize the other business
22 through the Nationwide Mortgage Licensing System and Registry.

23 (b) The products or services of an affiliated corporation of the
24 licensee that is a supervised financial institution, or a parent or
25 subsidiary of a supervised financial institution that is an affiliate
26 of the licensee, may be provided, offered, or sold at the licensed
27 location of the licensee without authorization by the commissioner
28 pursuant to subdivision (a) if (1) the activity is not prohibited by,
29 or in violation of, the laws applicable to the affiliate or supervised
30 financial institution, and (2) the products and services are not
31 offered and sold in a manner that restricts the ability of the
32 borrower or customer to individually select or reject a product or
33 service that is offered.

34 (c) The following definitions govern the construction of this
35 section:

36 (1) "Affiliated" or "affiliate" means the following: A corporation
37 is an affiliate of, or a corporation is affiliated with, another
38 specified corporation if it directly, or indirectly through one or
39 more intermediaries, controls, is controlled by, or is under common
40 control with, the other specified corporation.

1 (2) “Supervised financial institution” means any commercial
2 bank, industrial bank, credit card bank, trust company, savings
3 and loan association, savings bank, credit union, California finance
4 lender, residential mortgage lender or servicer, or insurer, provided
5 that the institution is subject to supervision by an official or agency
6 of this state or of the United States.

7 SEC. 37. Section 22155 of the Financial Code is amended to
8 read:

9 22155. No finance lender, broker, or mortgage loan originator
10 licensee shall transact the business licensed or make any loan
11 provided for by this division under any other name or at any other
12 place of business than that named in the license except pursuant
13 to a currently effective written order of the commissioner
14 authorizing the other name or other place of business. The
15 commissioner’s order, while effective, shall be deemed to amend
16 the original license issued pursuant to Section 22015 or 22109.1.
17 Notwithstanding any provision of this section, a licensee may make
18 any loan and engage in any other business provided for by this
19 division, other than the business described in subdivision (b) of
20 Section 22154, at a place other than the licensed location under
21 either of the following conditions:

22 (a) The borrower requests, either orally or in writing, that a loan
23 be initiated or made at a location other than the licensee’s licensed
24 location. The use by the licensee of a preprinted solicitation form
25 returned to the licensee by the borrower shall not constitute a
26 request by the borrower that a loan be initiated or made at a
27 location other than the licensee’s licensed location.

28 (b) The licensee makes a solicitation or advertises for, or makes
29 an offer of, a loan displayed on “home pages” or similar methods
30 by the licensee on the Internet, the World Wide Web, or similar
31 proprietary or common carrier electronic systems, and the
32 prospective borrower may transmit information over these
33 electronic systems to the licensee in connection with the licensee’s
34 offer to make a loan.

35 SEC. 38. Section 22156 of the Financial Code is amended to
36 read:

37 22156. Finance lender, broker, and mortgage loan originator
38 licensees shall keep and use in their business, books, accounts,
39 and records which will enable the commissioner to determine if
40 the licensee is complying with the provisions of this division and

1 with the rules and regulations made by the commissioner. On any
2 loan secured by real property in which loan proceeds were
3 disbursed to an independent escrowholder, the licensee shall retain
4 records and documents as set forth by rules of the commissioner
5 adopted pursuant to Section 22150. Upon request of the
6 commissioner, licensees shall file an authorization for disclosure
7 to the commissioner of financial records of the licensed business
8 pursuant to Section 7473 of the Government Code.

9 SEC. 39. Section 22157 of the Financial Code is amended to
10 read:

11 22157. Finance lender, broker, and mortgage loan originator
12 licensees shall preserve their books, accounts, and records,
13 including cards used in the card system, if any, for at least three
14 years after making the final entry on any loan recorded therein.

15 SEC. 40. Section 22159 of the Financial Code is amended to
16 read:

17 22159. (a) Each finance lender or broker licensee shall file an
18 annual report with the commissioner, on or before the 15th day of
19 March, giving the relevant information that the commissioner
20 reasonably requires concerning the business and operations
21 conducted by the licensee within the state during the preceding
22 calendar year for each licensed place of business. The individual
23 annual reports filed pursuant to this section shall be made available
24 to the public for inspection except, upon request in the annual
25 report to the commissioner, the balance sheet contained in the
26 annual report of a sole proprietor or any other nonpublicly traded
27 persons. "Nonpublicly traded person" for purposes of this section
28 means persons with securities owned by 35 or fewer individuals.
29 The report shall be made under oath and in the form prescribed by
30 the commissioner.

31 (b) A licensee shall make other special reports that may be
32 required by the commissioner.

33 (c) The commissioner may require a licensee that employs one
34 or more mortgage loan originators to submit to the Nationwide
35 Mortgage Licensing System and Registry reports of condition,
36 which shall be in the form and shall contain the information as the
37 Nationwide Mortgage Licensing System and Registry may require.

38 (d) The commissioner may by rule or order require a mortgage
39 loan originator to submit reports of condition to the Nationwide
40 Mortgage Licensing System and Registry, in lieu of the reports of

1 condition required of his or her employer pursuant to subdivision
2 (c).

3 SEC. 41. Section 22168 of the Financial Code is amended to
4 read:

5 22168. (a) The commissioner may, after appropriate notice
6 and opportunity for hearing, suspend for a period not to exceed 12
7 months or bar a person from any position of employment with a
8 licensee if the commissioner finds that the person has willfully
9 used or claimed without authority a designation or certification of
10 special education, practice, or skill that the person has not attained,
11 or willfully held out to the public a confusingly similar designation
12 or certification for the purpose of misleading the public regarding
13 his or her qualifications or experience.

14 (b) Within 15 days from the date of a notice of intention to issue
15 an order pursuant to subdivision (a), the person may request a
16 hearing under the Administrative Procedure Act (Chapter 5
17 (commencing with Section 11500) of Part 1 of Division 3 of Title
18 2 of the Government Code). Upon receiving a request, the matter
19 shall be set for hearing to commence within 30 days after receipt
20 unless the person subject to this division consents to a later date.
21 If no hearing is requested within 15 days after the mailing or
22 service of the notice and none is ordered by the commissioner, the
23 failure to request a hearing shall constitute a waiver of the right to
24 a hearing.

25 (c) Upon receipt of a notice of intention to issue an order
26 pursuant to subdivision (a), the person who is the subject of the
27 proposed order is immediately prohibited from engaging in any
28 activities subject to licensure under this division.

29 (d) Persons suspended or barred under this section are prohibited
30 from participating in any business activity of a licensed finance
31 lender, broker, or mortgage loan originator, and from engaging in
32 any business activity on the premises where a licensed finance
33 lender, broker, or mortgage loan originator is conducting its
34 business. This subdivision shall not be construed to prohibit
35 suspended or barred persons from having their personal transactions
36 processed by a licensed finance lender, broker, or mortgage loan
37 originator.

38 SEC. 42. Section 22169 of the Financial Code is amended to
39 read:

1 22169. (a) The commissioner may, after appropriate notice
2 and opportunity for hearing, by order, censure or suspend for a
3 period not exceeding 12 months, or bar from any position of
4 employment, management, or control any finance lender, broker,
5 mortgage loan originator, or any other person, if the commissioner
6 finds either of the following:

7 (1) That the censure, suspension, or bar is in the public interest
8 and that the person has committed or caused a violation of this
9 division or rule or order of the commissioner, which violation was
10 either known or should have been known by the person committing
11 or causing it or has caused material damage to the finance lender,
12 broker, or mortgage loan originator, or to the public.

13 (2) That the person has been convicted of or pleaded nolo
14 contendere to any crime, or has been held liable in any civil action
15 by final judgment, or any administrative judgment by any public
16 agency, if that crime or civil or administrative judgment involved
17 any offense involving dishonesty, fraud, or deceit, or any other
18 offense reasonably related to the qualifications, functions, or duties
19 of a person engaged in the business in accordance with the
20 provisions of this division.

21 (b) Within 15 days from the date of a notice of intention to issue
22 an order pursuant to subdivision (a), the person may request a
23 hearing under the Administrative Procedure Act (Chapter 4.5
24 commencing with Section 11400) of Division 3 of Title 2 of the
25 Government Code). Upon receipt of a request, the matter shall be
26 set for hearing to commence within 30 days after such receipt
27 unless the person subject to this division consents to a later date.
28 If no hearing is requested within 15 days after the mailing or
29 service of such notice and none is ordered by the commissioner,
30 the failure to request a hearing shall constitute a waiver of the right
31 to a hearing.

32 (c) Upon receipt of a notice of intention to issue an order
33 pursuant to this section, the person who is the subject of the
34 proposed order is immediately prohibited from engaging in any
35 activities subject to licensure under the law.

36 (d) Persons suspended or barred under this section are prohibited
37 from participating in any business activity of a finance lender,
38 broker, or mortgage loan originator, and from engaging in any
39 business activity on the premises where a finance lender, broker,
40 or mortgage loan originator is conducting business.

1 SEC. 43. Section 22170 of the Financial Code is amended to
2 read:

3 22170. (a) It is unlawful for any person to knowingly alter,
4 destroy, mutilate, conceal, cover up, falsify, or make a false entry
5 in any record, document, or tangible object with the intent to
6 impede, obstruct, or influence the administration or enforcement
7 of any provision of this division.

8 (b) It is unlawful for any person to knowingly make an untrue
9 statement to the commissioner or the Nationwide Mortgage
10 Licensing System and Registry during the course of licensing,
11 investigation, or examination, with the intent to impede, obstruct,
12 or influence the administration or enforcement of any provision
13 of this division.

14 SEC. 44. Section 22171 of the Financial Code is amended to
15 read:

16 22171. (a) The commissioner shall apply the guidance on
17 nontraditional mortgage product risks published on November 14,
18 2006, by the Conference of State Bank Supervisors and the
19 American Association of Residential Mortgage Regulators, and
20 the Statement on Subprime Mortgage Lending published on July
21 17, 2007, by the aforementioned entities and the National
22 Association of Consumer Credit Administrators, to licensees.

23 (b) The commissioner may adopt emergency and final
24 regulations to clarify the application of this section as soon as
25 possible.

26 (c) A finance lender or broker licensee shall adopt and adhere
27 to policies and procedures that are reasonably intended to achieve
28 the objectives set forth in the documents described in subdivision
29 (a). A mortgage loan originator licensee shall adhere to policies
30 and procedures developed by its employer in accordance with this
31 division and applicable federal law and regulation.

32 SEC. 45. Section 22172 is added to the Financial Code, to read:

33 22172. (a) The commissioner may do one or more of the
34 following:

35 (1) Deny, suspend, revoke, condition, or decline to renew a
36 mortgage loan originator license for a violation of this division,
37 or any rules or regulations adopted thereunder.

38 (2) Deny, suspend, revoke, condition, or decline to renew a
39 mortgage loan originator license if an applicant or licensee fails
40 at any time to meet the requirements of Section 22109.1 or 22109.4,

1 or withholds information or makes a material misstatement in an
2 application for a license or license renewal.

3 (3) Order restitution against a mortgage loan originator or any
4 finance lender or broker licensee employing a mortgage loan
5 originator for a violation of this division.

6 (4) Impose fines on a mortgage loan originator or any finance
7 lender or broker licensee employing a mortgage loan originator
8 pursuant to subdivisions (b), (c), and (d).

9 (5) Issue orders or directives to mortgage loan originators under
10 this division as follows:

11 (A) Order or direct a mortgage loan originator or any finance
12 lender or broker licensee employing a mortgage loan originator to
13 desist and refrain from conducting business, including immediate
14 temporary orders to desist and refrain.

15 (B) Order or direct a mortgage loan originator or any finance
16 lender or broker licensee employing a mortgage loan originator to
17 cease any harmful activities or violations of this division, including
18 immediate temporary orders to desist and refrain.

19 (C) Enter immediate temporary orders to cease business under
20 a license issued pursuant to the authority granted under Section
21 22100 if the commissioner determines that the license was
22 erroneously granted or the mortgage loan originator is currently
23 in violation of this division.

24 (D) Order or direct any other affirmative action as the
25 commissioner deems necessary.

26 (b) The commissioner may impose a civil penalty on a mortgage
27 loan originator or any finance lender or broker licensee employing
28 a mortgage loan originator, if the commissioner finds, on the record
29 after notice and opportunity for hearing, that the mortgage loan
30 originator or any finance lender or broker licensee employing a
31 mortgage loan originator has violated or failed to comply with any
32 requirement of this division or any regulation prescribed by the
33 commissioner under this division or order issued under authority
34 of this division.

35 (c) The maximum amount of penalty for each act or omission
36 described in subdivision (b) shall be twenty-five thousand dollars
37 (\$25,000).

38 (d) Each violation or failure to comply with any directive or
39 order of the commissioner is a separate and distinct violation or
40 failure.

1 SEC. 46. Section 22347 is added to the Financial Code, to read:
2 22347. The unique identifier of any licensed mortgage loan
3 originator shall be clearly shown on all residential mortgage loan
4 application forms, solicitations, or advertisements, including
5 business cards or Internet Web sites, and any other documents as
6 established by rule, regulation, or order of the commissioner.

7 SEC. 47. Section 22700 of the Financial Code is amended to
8 read:

9 22700. (a) Finance lender and broker licenses issued under
10 this division shall remain in effect until they are surrendered,
11 revoked, or suspended.

12 (b) Mortgage loan originator licenses issued under this division
13 shall be renewed annually upon the payment of an annual
14 assessment, and if renewed by the licensee, shall remain in effect
15 until they are surrendered, revoked, or suspended.

16 (c) Surrender of a license becomes effective 30 days after receipt
17 of an application to surrender the license or within a shorter period
18 of time that the commissioner may determine, unless a revocation
19 or suspension proceeding is pending when the application is filed
20 or a proceeding to revoke or suspend or to impose conditions upon
21 the surrender is instituted within 30 days after the application is
22 filed. If a proceeding is pending or instituted, surrender of a license
23 becomes effective at the time and upon the conditions that the
24 commissioner determines.

25 SEC. 48. Section 22755 is added to the Financial Code, to read:

26 22755. It is a violation of this division for a mortgage loan
27 originator to do any of the following:

28 (a) Directly or indirectly employ any scheme, device, or artifice
29 to defraud or mislead borrowers or lenders or to defraud any
30 person.

31 (b) Engage in any unfair or deceptive practice toward any
32 person.

33 (c) Obtain property by fraud or misrepresentation.

34 (d) Solicit or enter into a contract with a borrower that provides
35 in substance that the mortgage loan originator may earn a fee or
36 commission through best efforts to obtain a loan even though no
37 loan is actually obtained for the borrower.

38 (e) Solicit, advertise, or enter into a contract for specific interest
39 rates, points, or other financing terms unless the terms are actually
40 available at the time of soliciting, advertising, or contracting.

- 1 (f) Conduct any business covered by this division without
2 holding a valid license as required under this division, or assist or
3 aide and abet any person in the conduct of business under this
4 division without a valid license as required under this division.
 - 5 (g) Fail to make disclosures as required by this division and any
6 other applicable state or federal law, including regulations
7 thereunder.
 - 8 (h) Fail to comply with this division or rules or regulations
9 promulgated under this division, or fail to comply with any other
10 state or federal law, including the rules and regulations thereunder,
11 applicable to any business authorized or conducted under this
12 division.
 - 13 (i) Make, in any manner, any false or deceptive statement or
14 representation including, with regard to the rates, points, or other
15 financing terms or conditions for a residential mortgage loan, or
16 engage in bait and switch advertising.
 - 17 (j) Negligently make any false statement or knowingly and
18 willfully make any omission of material fact in connection with
19 any information or reports filed with a governmental agency or
20 the Nationwide Mortgage Licensing System and Registry or in
21 connection with any investigation conducted by the commissioner
22 or another governmental agency.
 - 23 (k) Make any payment, threat, or promise, directly or indirectly,
24 to any person for the purposes of influencing the independent
25 judgment of the person in connection with a residential mortgage
26 loan, or make any payment, threat, or promise, directly or
27 indirectly, to any appraiser of a property, for the purposes of
28 influencing the independent judgment of the appraiser with respect
29 to the value of the property.
 - 30 (l) Collect, charge, attempt to collect or charge, or use or propose
31 any agreement purporting to collect or charge any fee prohibited
32 by this division.
 - 33 (m) Cause or require a borrower to obtain property insurance
34 coverage in an amount that exceeds the replacement cost of the
35 improvements as established by the property insurer.
 - 36 (n) Fail to truthfully account for moneys belonging to a party
37 of a residential mortgage loan transaction.
- 38 SEC. 49. Section 50002 of the Financial Code is amended to
39 read:

1 50002. (a) No person shall engage in the business of making
2 residential mortgage loans or servicing residential mortgage loans,
3 in this state, without first obtaining a license from the commissioner
4 in accordance with the requirements of Chapter 2 (commencing
5 with Section 50120) or Chapter 3 (commencing with Section
6 50130), and any rules promulgated by the commissioner under
7 this law, unless a person or transaction is excepted from a definition
8 or exempt from licensure by a provision of this law or a rule of
9 the commissioner.

10 (b) An employee of a licensee or of a person exempt from
11 licensure is not required to be licensed when acting within the
12 scope of his or her employment and shall be exempt from any
13 other law from which his or her employer is exempt, except that
14 an individual who meets the definition of a mortgage loan
15 originator in ~~subdivision (u) of Section 50003~~ *Section 50003.5*
16 shall be subject to this division.

17 (c) The following persons are exempt from subdivision (a):

18 (1) Any bank, trust company, insurance company, or industrial
19 loan company doing business under the authority of, or in
20 accordance with, a license, certificate, or charter issued by the
21 United States or any state, district, territory, or commonwealth of
22 the United States that is authorized to transact business in this
23 state.

24 (2) A federally chartered savings and loan association, federal
25 savings bank, or federal credit union that is authorized to transact
26 business in this state.

27 (3) A savings and loan association, savings bank, or credit union
28 organized under the laws of this or any other state that is authorized
29 to transact business in this state.

30 (4) A person engaged solely in business, commercial, or
31 agricultural mortgage lending.

32 (5) A wholly owned service corporation of a savings and loan
33 association or savings bank organized under the laws of this state
34 or the wholly owned service corporation of a federally chartered
35 savings and loan association or savings bank that is authorized to
36 transact business in this state.

37 (6) An agency or other instrumentality of the federal
38 government, or state or municipal government.

39 (7) An employee or employer pension plan making residential
40 mortgage loans only to its participants, or a person making those

1 loans only to its employees or the employees of a holding company,
2 or an owner who controls that person, affiliate, or subsidiary of
3 that person.

4 (8) A person acting in a fiduciary capacity conferred by the
5 authority of a court.

6 (9) A real estate broker licensed under California law, when
7 making, arranging, selling, or servicing a residential loan.

8 (10) A California finance lender or broker licensed under
9 Division 9 (commencing with Section 22000), when acting under
10 the authority of that license.

11 (11) A trustee under a deed of trust pursuant to the Civil Code,
12 when collecting delinquent loan payments, interest, or other loan
13 amounts, or performing other acts in a judicial or nonjudicial
14 foreclosure proceeding.

15 (12) A mortgage loan originator who has obtained a license
16 under Chapter 3.5 (commencing with Section 50140), provided
17 that the mortgage loan originator is employed by a residential
18 mortgage lender or servicer.

19 (13) A registered mortgage loan originator described in
20 subdivision (e).

21 (d) An individual, unless specifically exempted under
22 subdivision (e), shall not engage in the business of a mortgage
23 loan originator with respect to any dwelling located in this state
24 without first obtaining and maintaining annually a license in
25 accordance with the requirements of Chapter 3.5 (commencing
26 with Section 50140) and any rules promulgated by the
27 commissioner under that chapter. Each licensed mortgage loan
28 originator shall register with and maintain a valid unique identifier
29 issued by the Nationwide Mortgage Licensing System and Registry.

30 (e) A registered mortgage loan originator is exempt from
31 licensure under subdivisions (a) and (d), when he or she is
32 employed by a depository institution, a subsidiary of a depository
33 institution that is owned and controlled by a depository institution
34 and regulated by a federal banking agency, or an institution
35 regulated by the Farm Credit Administration.

36 (f) A loan processor or underwriter who is an independent
37 contractor employed engaged by a residential mortgage lender or
38 servicer may not perform the activities of a loan processor or
39 underwriter under this division unless the independent contractor

1 loan processor or underwriter obtains and maintains a license under
2 Section 50120.

3 SEC. 50. Section 50002.5 is added to the Financial Code, to
4 read:

5 50002.5. (a) Every licensee engaging in the business of
6 making, servicing, or making and servicing residential mortgage
7 loans shall require that every mortgage loan originator employed
8 or compensated by that licensee obtains and maintains a mortgage
9 loan originator license from the commissioner under this division
10 or Division 9 (commencing with Section 22000), or has first
11 obtained a license endorsement from the commissioner of Real
12 Estate pursuant to Article 2.1 (commencing with Section 10166.01)
13 of Chapter 3 of Part 1 of Division 4 of the Business and Professions
14 Code.

15 (b) A residential mortgage lender or servicer shall not employ
16 a mortgage loan originator whose license or license endorsement
17 has lapsed.

18 (c) A residential mortgage lender or servicer may not make or
19 broker a residential mortgage loan unless that loan is negotiated
20 by or applied for through a licensed mortgage loan originator.

21 (d) Every licensee engaged in the business of making, servicing,
22 or making and servicing residential mortgage loans and every
23 mortgage loan originator licensed under this division shall register
24 with and maintain a valid unique identifier issued by the
25 Nationwide Mortgage Licensing System and Registry.

26 (e) No mortgage loan originator licensed under this division
27 and employed by a licensed residential mortgage lender or
28 residential mortgage servicer shall engage in any activity that is
29 not an authorized activity for a licensed residential mortgage lender
30 or residential mortgage servicer pursuant to this division.

31 SEC. 51. Section 50003 of the Financial Code is amended to
32 read:

33 50003. (a) “Annual audit” means a certified audit of the
34 licensee’s books, records, and systems of internal control performed
35 by an independent certified public accountant in accordance with
36 generally accepted accounting principles and generally accepted
37 auditing standards.

38 (b) “Borrower” means the loan applicant.

39 (c) “Buy” includes exchange, offer to buy, or solicitation to
40 buy.

1 (d) “Commissioner” means the Commissioner of Corporations.

2 (e) “Control” means the possession, directly or indirectly, of
3 the power to direct, or cause the direction of, the management and
4 policies of a licensee under this division, whether through voting
5 or through the ownership of voting power of an entity that
6 possesses voting power of the licensee, or otherwise. Control is
7 presumed to exist if a person, directly or indirectly, owns, controls,
8 or holds 10 percent or more of the voting power of a licensee or
9 of an entity that owns, controls, or holds, with power to vote, 10
10 percent or more of the voting power of a licensee. No person shall
11 be deemed to control a licensee solely by reason of his or her status
12 as an officer or director of the licensee.

13 (f) “Depository institution” has the same meaning as in Section
14 3 of the Federal Deposit Insurance Act, and includes any credit
15 union.

16 (g) “Engage in the business” means the dissemination to the
17 public, or any part of the public, by means of written, printed, or
18 electronic communication or any communication by means of
19 recorded telephone messages or spoken on radio, television, or
20 similar communications media, of any information relating to the
21 making of residential mortgage loans, the servicing of residential
22 mortgage loans, or both. “Engage in the business” also means,
23 without limitation, making residential mortgage loans or servicing
24 residential mortgage loans, or both.

25 (h) “Federal banking agencies” means the Board of Governors
26 of the Federal Reserve System, the Comptroller of the Currency,
27 the Director of the Office of Thrift Supervision, the National Credit
28 Union Administration, and the Federal Deposit Insurance
29 Corporation.

30 (i) “In this state” includes any activity of a person relating to
31 making or servicing a residential mortgage loan that originates
32 from this state and is directed to persons outside this state, or that
33 originates from outside this state and is directed to persons inside
34 this state, or that originates inside this state and is directed to
35 persons inside this state, or that leads to the formation of a contract
36 and the offer or acceptance thereof is directed to a person in this
37 state (whether from inside or outside this state and whether the
38 offer was made inside or outside the state).

39 (j) “Institutional investor” means the following:

1 (1) The United States or any state, district, territory, or
2 commonwealth thereof, or any city, county, city and county, public
3 district, public authority, public corporation, public entity, or
4 political subdivision of a state, district, territory, or commonwealth
5 of the United States, or any agency or other instrumentality of any
6 one or more of the foregoing, including, by way of example, the
7 Federal National Mortgage Association and the Federal Home
8 Loan Mortgage Corporation.

9 (2) Any bank, trust company, savings bank or savings and loan
10 association, credit union, industrial bank or industrial loan
11 company, personal property broker, consumer finance lender,
12 commercial finance lender, or insurance company, or subsidiary
13 or affiliate of one of the preceding entities, doing business under
14 the authority of or in accordance with a license, certificate, or
15 charter issued by the United States or any state, district, territory,
16 or commonwealth of the United States.

17 (3) Trustees of pension, profit-sharing, or welfare funds, if the
18 pension, profit-sharing, or welfare fund has a net worth of not less
19 than fifteen million dollars (\$15,000,000), except pension,
20 profit-sharing, or welfare funds of a licensee or its affiliate,
21 self-employed individual retirement plans, or individual retirement
22 accounts.

23 (4) A corporation or other entity with outstanding securities
24 registered under Section 12 of the federal Securities Exchange Act
25 of 1934 or a wholly owned subsidiary of that corporation or entity,
26 provided that the purchaser represents either of the following:

27 (A) That it is purchasing for its own account for investment and
28 not with a view to, or for sale in connection with, any distribution
29 of a promissory note.

30 (B) That it is purchasing for resale pursuant to an exemption
31 under Rule 144A (17 C.F.R. 230.144A) of the Securities and
32 Exchange Commission.

33 (5) An investment company registered under the Investment
34 Company Act of 1940; or a wholly owned and controlled subsidiary
35 of that company, provided that the purchaser makes either of the
36 representations provided in paragraph (4).

37 (6) A residential mortgage lender or servicer licensed to make
38 residential mortgage loans under this law or an affiliate or
39 subsidiary of that person.

1 (7) Any person who is licensed as a securities broker or
2 securities dealer under any law of this state, or of the United States,
3 or any employee, officer or agent of that person, if that person is
4 acting within the scope of authority granted by that license or an
5 affiliate or subsidiary controlled by that broker or dealer, in
6 connection with a transaction involving the offer, sale, purchase,
7 or exchange of one or more promissory notes secured directly or
8 indirectly by liens on real property or a security representing an
9 ownership interest in a pool of promissory notes secured directly
10 or indirectly by liens on real property, and the offer and sale of
11 those securities is qualified under the California Corporate
12 Securities Law of 1968 or registered under federal securities laws,
13 or exempt from qualification or registration.

14 (8) A licensed real estate broker selling the loan to an
15 institutional investor specified in paragraphs (1) to (7), inclusive,
16 or paragraph (9) or (10).

17 (9) A business development company as defined in Section
18 2(a)(48) of the Investment Company Act of 1940 or a Small
19 Business Investment Company licensed by the United States Small
20 Business Administration under Section 301(c) or (d) of the Small
21 Business Investment Act of 1958.

22 (10) A syndication or other combination of any of the foregoing
23 entities that is organized to purchase a promissory note.

24 (11) A trust or other business entity established by an
25 institutional investor for the purpose of issuing or facilitating the
26 issuance of securities representing undivided interests in, or rights
27 to receive payments from or to receive payments primarily from,
28 a pool of financial assets held by the trust or business entity,
29 provided that all of the following apply:

30 (A) The business entity is not a sole proprietorship.

31 (B) The pool of assets consists of one or more of the following:

32 (i) Interest-bearing obligations.

33 (ii) Other contractual obligations representing the right to receive
34 payments from the assets.

35 (iii) Surety bonds, insurance policies, letters of credit, or other
36 instruments providing credit enhancement for the assets.

37 (C) The securities will be either one of the following:

38 (i) Rated as “investment grade” by Standard and Poor’s
39 Corporation or Moody’s Investors Service, Inc. “Investment grade”
40 means that the securities will be rated by Standard and Poor’s

1 Corporation as AAA, AA, A, or BBB or by Moody’s Investors
2 Service, Inc. as Aaa, Aa, A, or Baa, including any of those ratings
3 with “+” or “—” designation or other variations that occur within
4 those ratings.

5 (ii) Sold to an institutional investor.

6 (D) The offer and sale of the securities is qualified under the
7 California Corporate Securities Law of 1968 or registered under
8 federal securities laws, or exempt from qualification or registration.

9 (k) “Institutional lender” means the following:

10 (1) The United States or any state, district, territory, or
11 commonwealth thereof, or any city, county, city and county, public
12 district, public authority, public corporation, public entity, or
13 political subdivision of a state, district, territory, or commonwealth
14 of the United States, or any agency or other instrumentality of any
15 one or more of the foregoing, including, by way of example, the
16 Federal National Mortgage Association and the Federal Home
17 Loan Mortgage Corporation.

18 (2) Any bank, trust company, savings bank or savings and loan
19 association, credit union, industrial loan company, or insurance
20 company, or service or investment company that is wholly owned
21 and controlled by one of the preceding entities, doing business
22 under the authority of and in accordance with a license, certificate,
23 or charter issued by the United States or any state, district, territory,
24 or commonwealth of the United States.

25 (3) Any corporation with outstanding securities registered under
26 Section 12 of the Securities Exchange Act of 1934 or any wholly
27 owned subsidiary of that corporation.

28 (4) A residential mortgage lender or servicer licensed to make
29 residential mortgage loans under this law.

30 (l) “Law” means the California Residential Mortgage Lending
31 Act.

32 (m) “Lender” means a person that (1) is an approved lender for
33 the Federal Housing Administration, Veterans Administration,
34 Farmers Home Administration, Government National Mortgage
35 Association, Federal National Mortgage Association, or Federal
36 Home Loan Mortgage Corporation, (2) directly makes residential
37 mortgage loans, and (3) makes the credit decision in the loan
38 transactions.

39 (n) “Licensee” means, depending on the context, a person
40 licensed under Chapter 2 (commencing with Section 50120),

1 Chapter 3 (commencing with Section 50130), or Chapter 3.5
2 (commencing with Section 50140).

3 (o) “Makes or making residential mortgage loans” or “mortgage
4 lending” means processing, underwriting, or as a lender using or
5 advancing one’s own funds, or making a commitment to advance
6 one’s own funds, to a loan applicant for a residential mortgage
7 loan.

8 (p) “Mortgage loan,” “residential mortgage loan,” or “home
9 mortgage loan” means a federally related mortgage loan as defined
10 in Section 3500.2 of Title 24 of the Code of Federal Regulations,
11 or a loan made to finance construction of a one-to-four family
12 dwelling.

13 (q) “Mortgage servicer” or “residential mortgage loan servicer”
14 means a person that (1) is an approved servicer for the Federal
15 Housing Administration, Veterans Administration, Farmers Home
16 Administration, Government National Mortgage Association,
17 Federal National Mortgage Association, or Federal Home Loan
18 Mortgage Corporation, and (2) directly services or offers to service
19 mortgage loans.

20 (r) “Nationwide Mortgage Licensing System and Registry”
21 means a mortgage licensing system developed and maintained by
22 the Conference of State Bank Supervisors and the American
23 Association of Residential Mortgage Regulators for the licensing
24 and registration of licensed mortgage loan originators.

25 (s) “Net worth” has the meaning set forth in Section 50201.

26 (t) “Own funds” means (1) cash, corporate capital, or warehouse
27 credit lines at commercial banks, savings banks, savings and loan
28 associations, industrial loan companies, or other sources that are
29 liability items on a lender’s financial statements, whether secured
30 or unsecured, or (2) a lender’s affiliate’s cash, corporate capital,
31 or warehouse credit lines at commercial banks or other sources
32 that are liability items on the affiliate’s financial statements,
33 whether secured or unsecured. “Own funds” does not include funds
34 provided by a third party to fund a loan on condition that the third
35 party will subsequently purchase or accept an assignment of that
36 loan.

37 (u) “Person” means a natural person, a sole proprietorship, a
38 corporation, a partnership, a limited liability company, an
39 association, a trust, a joint venture, an unincorporated organization,

1 a joint stock company, a government or a political subdivision of
2 a government, and any other entity.

3 (v) “Residential real property” or “residential real estate” means
4 real property located in this state that is improved by a one-to-four
5 family dwelling.

6 (w) “SAFE Act” means the federal Secure and Fair Enforcement
7 for Mortgage Licensing Act of 2008 (Public Law 110-289).

8 (x) “Service” or “servicing” means receiving more than three
9 installment payments of principal, interest, or other amounts placed
10 in escrow, pursuant to the terms of a mortgage loan and performing
11 services by a licensee relating to that receipt or the enforcement
12 of its receipt, on behalf of the holder of the note evidencing that
13 loan.

14 (y) “Sell” includes exchange, offer to sell, or solicitation to sell.

15 (z) “Unique identifier” means a number or other identifier
16 assigned by protocols established by the Nationwide Mortgage
17 Licensing System and Registry.

18 (aa) For purposes of Sections 50142, 50143, and 50145,
19 “nontraditional mortgage product” means any mortgage product
20 other than a 30-year fixed rate mortgage.

21 SEC. 52. Section 50003.5 is added to the Financial Code, to
22 read:

23 50003.5. (a) “Mortgage loan originator” means an individual
24 who, for compensation or gain, or in the expectation of
25 compensation or gain, takes a residential mortgage loan application
26 or offers or negotiates terms of a residential mortgage loan.

27 (b) Mortgage loan originator does not include any of the
28 following:

29 (1) An individual who performs purely administrative or clerical
30 tasks on behalf of a person meeting the definition of a mortgage
31 loan originator, except as provided in subdivision (c) of Section
32 50003.6. The term “administrative or clerical tasks” means the
33 receipt, collection, and distribution of information common for
34 the processing or underwriting of a loan in the mortgage industry
35 and communication with a consumer to obtain information
36 necessary for the processing or underwriting of a residential
37 mortgage loan, to the extent that the communication does not
38 include offering or negotiating loan rates or terms, or counseling
39 consumers about residential mortgage loan rates or terms.

1 (2) An individual who solely renegotiates terms for existing
2 mortgage loans held or serviced by his or her employer and who
3 does not otherwise act as a mortgage loan originator, unless the
4 United States Department of Housing and Urban Development or
5 a court of competent jurisdiction determines that the SAFE Act
6 requires that employee to be licensed as a mortgage loan originator
7 under state laws implementing the SAFE Act.

8 (3) An individual that is solely involved in extensions of credit
9 relating to timeshare plans, as that term is defined in Section
10 101(53D) of Title 11 of the United States Code.

11 (4) An individual licensed as a mortgage loan originator pursuant
12 to Article 2.1 (commencing with Section 10166.01) of Chapter 3
13 of Part 1 of Division 4 of the Business and Professions Code and
14 the SAFE Act.

15 (c) “Registered mortgage loan originator” means any individual
16 who is all of the following:

- 17 (1) Meets the definition of mortgage loan originator.
- 18 (2) Is an employee of a depository institution, a subsidiary that
19 is owned and controlled by a depository institution and regulated
20 by a federal banking agency, or an institution regulated by the
21 Farm Credit Administration.
- 22 (3) Is registered with, and maintains a unique identifier through,
23 the Nationwide Mortgage Licensing System and Registry.

24 (d) “Loan processor or underwriter” means an individual who
25 performs clerical or support duties as an employee at the direction
26 of, and subject to the supervision and instruction of, a mortgage
27 loan originator licensed by the state or a registered mortgage loan
28 originator.

29 SEC. 53. Section 50003.6 is added to the Financial Code, to
30 read:

31 50003.6. (a) A loan processor or underwriter who does not
32 represent to the public, through advertising or other means of
33 communicating or providing information, including the use of
34 business cards, stationery, brochures, signs, rate lists, or other
35 promotional items, that the individual can or will perform any of
36 the activities of a loan originator shall not be required to be licensed
37 as a mortgage loan originator.

38 (b) An individual engaging solely in loan processor or
39 underwriter activities shall not represent to the public, through
40 advertising or other means of communicating or providing

1 information including the use of business cards, stationery,
2 brochures, signs, rate lists, or other promotional items, that the
3 individual can or will perform any of the activities of a mortgage
4 loan originator.

5 (c) An independent contractor may not engage in the activities
6 of a loan processor or underwriter for a residential mortgage loan
7 unless the independent contractor loan processor or underwriter
8 obtains and maintains a residential mortgage lender or residential
9 mortgage servicer license and a mortgage loan originator license
10 under this division.

11 SEC. 54. Section 50120 of the Financial Code is amended to
12 read:

13 50120. (a) A residential mortgage lender shall file an
14 application for licensure under this chapter with the commissioner
15 to make or service residential mortgage loans in this state.

16 (b) A licensee may not engage in the business as a residential
17 mortgage lender under a name other than the name that appears
18 on the license, or a legally assumed name disclosed either in the
19 application or in an amendment to the application, which shall be
20 reflected on the license.

21 (c) A licensee may not make or service residential mortgage
22 loans secured by real property pursuant to the authority of a license,
23 or an exemption from licensure, under the Real Estate Law.

24 (d) The commissioner may, pursuant to Section 50321, order a
25 licensee to cease any other business conducted at any location
26 where the licensee operates under the authority of a residential
27 mortgage lender license, if the commissioner finds that the conduct
28 of that business has facilitated evasions of this division or the rules
29 adopted pursuant to this division, or that the conduct of that
30 business is in violation of any law to which that business is subject.

31 (e) A license issued for a business location outside this state
32 shall constitute an agreement by the licensee to, at the sole
33 discretion of the commissioner, either (1) make the licensee's
34 books, accounts, papers, records, and files available to the
35 commissioner or the commissioner's representatives in this state
36 within 10 calendar days of a request from the commissioner or,
37 (2) pay the reasonable expenses for travel, meals, and lodging of
38 the commissioner or the commissioner's representatives incurred
39 during an investigation or examination made at the licensee's
40 location outside this state.

1 (f) The commissioner may, by rule, require an applicant for a
2 residential mortgage lender or servicer license or a residential
3 mortgage lender or servicer licensee to make some or all filings
4 with the commissioner through the Nationwide Mortgage Licensing
5 System and Registry.

6 (g) The commissioner may, by rule, require licensees to pay
7 assessments through the Nationwide Mortgage Licensing System
8 and Registry.

9 SEC. 55. Section 50121 of the Financial Code is amended to
10 read:

11 50121. The commissioner shall issue a residential mortgage
12 leader license upon the satisfaction of all of the following:

13 (a) The filing with the commissioner of a complete and executed
14 application for licensure, which may, at the discretion of the
15 commissioner, include background and experience disclosures
16 required by any of the uniform application forms of the Nationwide
17 Mortgage Licensing System and Registry.

18 (b) The payment of a nonrefundable investigation fee of one
19 hundred dollars (\$100), plus the cost of fingerprint processing and
20 clearance, and an application filing fee of nine hundred dollars
21 (\$900).

22 (c) An investigation of the statements required by Section 50124
23 based upon which the commissioner is able to issue findings that
24 the financial responsibility, criminal records (verified by
25 fingerprint, at the discretion of the commissioner), experience,
26 character, and general fitness of the applicant and of the partners
27 or members thereof, if the applicant is a partnership or association,
28 and of the principal officers and directors thereof, if the license
29 applicant is a corporation, support a finding that the business will
30 be operated honestly, fairly, and in accordance with the
31 requirements of this division.

32 SEC. 56. Section 50122 of the Financial Code is amended to
33 read:

34 50122. (a) Except as provided in Section 50120, the
35 information provided on an application for a residential mortgage
36 lender, residential mortgage servicer, or residential mortgage lender
37 and servicer license shall be sworn testimony on a form prescribed
38 by the commissioner. If an applicant proposes to engage in business
39 as a residential mortgage loan servicer as well as a residential
40 mortgage lender, this information shall be set forth in the

1 application. The commissioner may issue a license under this
2 chapter to engage in business as a residential mortgage lender or
3 to engage in business as a residential mortgage lender and
4 residential mortgage loan servicer. A person filing an application
5 under this chapter to engage in business as a residential mortgage
6 lender and a residential mortgage loan servicer is not required to
7 file an application under Chapter 3 (commencing with Section
8 50130).

9 (b) The application shall contain the name and complete business
10 and residential address or addresses of the applicant. If the applicant
11 is a partnership, association, corporation, or other entity, the
12 application shall contain the names and complete business and
13 residential addresses of each member, director, and principal
14 officer. The application also shall include a description of the
15 activities of the applicant in the detail and for the periods that the
16 commissioner may require, including all of the following:

17 (1) A statement of financial solvency, noting the net worth
18 requirements and supported by an audited financial statement
19 prepared by an independent certified public accountant, and access
20 to the supporting credit information as required by this division.

21 (2) A statement that the applicant or its members, directors, or
22 principals, as appropriate, are at least 18 years of age. The
23 statement may be made by providing each person's date of birth.

24 (3) Information as to the character, fitness, financial and business
25 responsibility, background, experience, and criminal convictions
26 of any of the following:

27 (A) Any person that owns or controls, directly or indirectly, 10
28 percent or more of any class of stock of the applicant.

29 (B) Any person that controls, directly or indirectly, the election
30 of 25 percent or more of the members of the board of directors of
31 an applicant.

32 (C) Any person or entity that significantly influences or controls
33 the management of the applicant.

34 (4) A description of any disciplinary action filed under any other
35 license through which the person conducts its business.

36 (5) A description of any adverse judgments entered in court
37 actions filed by borrowers based upon allegations of fraud,
38 misrepresentation, or dishonesty in the conduct of the person's
39 business.

40 (6) A copy of the fidelity bond currently in effect.

1 (7) Other information as required by rule of the commissioner.

2 SEC. 57. Section 50123 of the Financial Code is amended to
3 read:

4 50123. (a) A residential mortgage lender license shall remain
5 in effect until suspended, surrendered, or revoked.

6 (b) A residential mortgage lender licensee that ceases to engage
7 in the business regulated by this division and desires to no longer
8 be licensed shall inform the commissioner in writing and, at that
9 time, surrender the license and all other indicia of licensure to the
10 commissioner. The licensee shall file a plan for the withdrawal
11 from regulated business, and the plan shall include a timetable for
12 the disposition of the business. The plan shall also include a closing
13 audit, review, or other agreed upon procedures performed by an
14 independent certified public accountant prescribed by rule or order
15 of the commissioner. Upon receipt of the written notice and plan,
16 the commissioner shall review the plan and, if satisfactory to the
17 commissioner, shall accept the surrender of the license. A license
18 is not surrendered until its tender is accepted in writing by the
19 commissioner after a review, and a finding has been made on the
20 licensee’s plan required to be filed by this section, and a
21 determination has been made that there is no violation of this law.

22 (c) A residential mortgage lender or servicer licensee may not
23 surrender its license under this division and, under the authority
24 of a real estate license, subsequently engage in residential mortgage
25 lending or servicing activities that are subject to this division,
26 unless the licensee has been licensed under this division for a
27 period of five years or more.

28 SEC. 58. Section 50124 of the Financial Code is amended to
29 read:

30 50124. (a) A residential mortgage lender or servicer shall do
31 all of the following:

32 (1) Maintain adequate to meet the requirements of this division,
33 as prescribed by rule or order of the commissioner.

34 (2) Keep and maintain for 36 months from the date of final entry
35 the business records and other information required by law or rules
36 of the commissioner regarding any mortgage loan made or serviced
37 in the course of the conduct of its business.

38 (3) File with the commissioner any report required under law
39 or by rule or order of the commissioner.

1 (4) Disburse funds in accordance with its agreements and to
2 make a good faith and reasonable effort to effect closing in a timely
3 manner.

4 (5) Account or deliver to a person any personal property such
5 as money, funds, deposit, check, draft, mortgage, other document,
6 or thing of value, that has come into its possession and is not its
7 property, or that it is not in law or equity entitled to retain under
8 the circumstances, at the time that has been agreed upon or is
9 required by law, or, in the absence of a fixed time, upon demand
10 of the person entitled to the accounting or delivery.

11 (6) File with the commissioner an amendment to its application
12 prior to any material change in the information contained in the
13 application for licensure, including, without limitation, the plan
14 of operation. The commissioner shall, within 20 business days of
15 receiving a completed amendment to the application, or within a
16 longer time if agreed to by the licensee, approve or disapprove the
17 effectiveness of the proposed amendment.

18 (7) Comply with the provisions of this division, and with any
19 order or rule of the commissioner.

20 (8) Submit to periodic examination by the commissioner as
21 required by this division.

22 (9) Advise the commissioner by amendment to its application
23 of any material judgment filed against, or bankruptcy petition filed
24 by, the licensee within five days of the filing.

25 (10) Notify the commissioner, in writing, prior to opening a
26 branch office in this state or changing its business location or
27 locations or its branch offices from which activities subject to this
28 division are conducted.

29 (11) Comply with all applicable state and federal tax return
30 filing requirements.

31 (12) Refrain from employing, or paying a commission or other
32 fee to, a mortgage loan originator who is not licensed in this state,
33 unless the individual is exempt from licensure.

34 (13) Refrain from committing a crime against the laws of any
35 state or the United States, involving moral turpitude,
36 misrepresentation, fraudulent or dishonest dealing, or fraud, and
37 disclose to the commissioner any final judgment entered against
38 it in a civil action upon grounds or allegations of fraud,
39 misrepresentation, or deceit.

1 (14) Refrain from engaging in conduct that would be cause for
2 denial of a license.

3 (15) Remain solvent.

4 (16) Proceed with due care and competence in performing any
5 act for which it is required to hold a license under this division.

6 (17) Comply with any other requirement established by rule of
7 the commissioner.

8 (b) The commissioner may require an applicant to submit a
9 statement agreeing to comply with the requirements of this section.

10 SEC. 59. Section 50125 of the Financial Code is amended to
11 read:

12 50125. The commissioner may refuse to issue a residential
13 mortgage lender or servicer license if any of the following apply:

14 (a) The applicant is not in material compliance with a provision
15 of this division or an order or rule of the commissioner.

16 (b) The commissioner cannot make the findings specified in
17 subdivision-~~(d)~~ (c) of Section 50121.

18 (c) A material requirement for issuance of a license has not been
19 met.

20 SEC. 60. Section 50126 of the Financial Code is amended to
21 read:

22 50126. (a) Upon reasonable notice and opportunity to be heard,
23 the commissioner may deny an application for any of the following
24 reasons:

25 (1) A false statement of a material fact has been made in the
26 application.

27 (2) Any officer, director, general partner, or person owning or
28 controlling, directly or indirectly, 10 percent or more of the
29 outstanding interests or equity securities of the applicant has, within
30 the last 10 years, (A) been convicted of, or pleaded nolo contendere
31 to, a crime or (B) committed any act involving dishonesty, fraud,
32 or deceit, if the crime or act is substantially related to the
33 qualifications, functions, or duties of a person engaged in business
34 in accordance with this division.

35 (3) The applicant or any officer, director, general partner, or
36 person owning or controlling, directly or indirectly, 10 percent or
37 more of the outstanding interests or equity securities of the
38 applicant, has violated any provision of this division or the rules
39 thereunder or any similar regulatory scheme of the State of
40 California or a foreign jurisdiction.

1 (4) The applicant employs a mortgage loan originator who is
2 not licensed in this state, unless the mortgage loan originator is
3 exempt from licensure.

4 (b) The application shall be considered withdrawn within the
5 meaning of this section if the applicant fails to respond to a written
6 notification of a deficiency in the application within 90 days of
7 the date of the notification.

8 (c) The commissioner shall, within 60 days from the filing of
9 a full and complete application for a license, including the receipt
10 of background and investigative reports from the Department of
11 Justice or other government agencies, and the payment of the fees
12 required by Section 50121, issue either a residential mortgage
13 lender or servicer license or a statement of issues prepared in
14 accordance with Chapter 5 (commencing with Section 11500) of
15 Part 1 of Division 3 of Title 2 of the Government Code.

16 SEC. 61. Section 50128 of the Financial Code is amended to
17 read:

18 50128. As used in this act, the term “principal officer” means
19 an officer with direct responsibility for the conduct of the
20 residential mortgage lender or servicer licensee’s or license
21 applicant’s lending or servicing activities in this state.

22 SEC. 62. Section 50129 of the Financial Code is amended to
23 read:

24 50129. (a) A residential mortgage lender or servicer licensed
25 under this chapter may, under the authority of that license and
26 subject to the provisions of this division, do both of the following:

27 (1) Engage as a principal in the business of buying from or
28 selling to institutional investors residential mortgage loans by using
29 or advancing one’s own funds.

30 (2) Engage, pursuant to a written agency contract with an
31 institutional lender specified in paragraph (1), (2), or (4) of
32 subdivision (k) of Section 50003, in the business of soliciting,
33 processing applications, or applying residential loan underwriting
34 criteria, but not engage in the business of brokerage services
35 pursuant to this subdivision, for residential mortgage loans for that
36 lender, using or advancing the funds of that lender, provided that
37 no fees or charges may be demanded or collected by the residential
38 mortgage lender licensee for any performance or service, except
39 fees demanded by, or collected on behalf of, the institutional lender,
40 and that the licensee gives a written disclosure to the borrower, as

1 soon as practicable but prior to loan closing, identifying the
2 licensee and stating that the licensee is not the lender in the
3 transaction but has contracted to provide soliciting, processing, or
4 underwriting services for the lender. Separate schedules of the
5 number and principal amount of the loans processed and
6 underwritten shall be included in the licensee's annual report
7 required by subdivision (a) of Section 50401.

8 (b) The act of soliciting other institutional lenders with whom
9 a residential mortgage lender licensee has concluded an agency
10 contract pursuant to paragraph (2) of subdivision (a) for placement
11 of a loan upon declination of that loan by another institutional
12 lender contracted under paragraph (2) of subdivision (a), constitutes
13 brokerage services, and may be pursued by the licensee only
14 following execution of a loan brokerage agreement with the
15 borrower as provided in this division.

16 SEC. 63. Section 50130 of the Financial Code is amended to
17 read:

18 50130. (a) A mortgage servicer shall file an application for
19 licensure under this chapter with the commissioner to service
20 mortgage loans in this state by satisfying the requirements of this
21 chapter and the applicable provisions, as determined by the
22 commissioner, of Chapter 2 (commencing with Section 50120).

23 (b) A mortgage servicer may apply for licensure by doing all
24 of the following:

25 (1) Filing with the commissioner an application containing the
26 information required by Section 50122, and any additional
27 information the commissioner may require by rule.

28 (2) Paying the investigation and application fees required by
29 Section 50121.

30 (3) Submitting any information required by Section 50124.

31 (4) Complying with the applicable provisions of Chapter 2
32 (commencing with Section 50120).

33 (c) A licensee may not make or service loans secured by real
34 property pursuant to the authority of a license, or exemption from
35 licensure, under the Real Estate Law.

36 (d) The commissioner may, pursuant to Section 50321, order a
37 licensee to cease any other business conducted at any location
38 where the licensee operates under the authority of a residential
39 mortgage servicer license, if the commissioner finds that the
40 conduct of that business has facilitated evasions of this division

1 or the rules adopted pursuant to this division, or that the conduct
2 of that business is in violation of any law to which that business
3 is subject.

4 (e) A license for a business location outside this state shall
5 constitute an agreement by the mortgage servicer to, at the
6 discretion of the commissioner, either (1) make the licensee's
7 books, accounts, papers, records, and files available to the
8 commissioner or the commissioner's representatives in this state
9 within 10 calendar days of a request from the commissioner or,
10 (2) pay the reasonable expenses for travel, meals, and lodging of
11 the commissioner or the commissioner's representatives incurred
12 during an investigation or examination made at the licensee's
13 location outside this state.

14 (f) The commissioner shall license a mortgage servicer upon
15 completion of the investigation and issuance of the findings
16 required by Section 50121, subject to Sections 50123, 50125,
17 50126, and 50127.

18 (g) A mortgage servicer licensed to service mortgage loans shall
19 comply with all applicable requirements of California and federal
20 law, including the Civil Code and Section 2609 of the federal Real
21 Estate Settlement Procedures Act of 1974, as amended (12 U.S.C.
22 Sec. 2601 et seq.).

23 (h) A license shall remain in effect until suspended, surrendered,
24 or revoked.

25 (i) The commissioner may require an applicant or licensee to
26 make some or all filings with the commissioner through the
27 Nationwide Mortgage Licensing System and Registry.

28 SEC. 64. Chapter 3.5 (commencing with Section 50140) is
29 added to Division 20 of the Financial Code, to read:

30

31

CHAPTER 3.5. MORTGAGE LOAN ORIGINATORS

32

33 50140. (a) An applicant for a license as a mortgage loan
34 originator shall apply by submitting the uniform form prescribed
35 for that purpose by the Nationwide Mortgage Licensing System
36 and Registry. The commissioner may require the submission of
37 additional information or supporting documentation to the
38 department.

39 (b) Section 461 of the Business and Professions Code shall not
40 be applicable to the Department of Corporations when using a

1 national uniform application adopted or approved for use by the
2 Nationwide Mortgage Licensing System and Registry in connection
3 with the SAFE Act.

4 (c) The commissioner shall, by rule, establish the timelines,
5 fees, and assessments applicable to applicants for original mortgage
6 loan originator licenses, license renewals, and license changes
7 under this division.

8 (d) The commissioner may, by rule, require mortgage loan
9 originator licensees to pay assessments through the Nationwide
10 Mortgage Licensing System and Registry.

11 (e) In connection with an application for a license as a mortgage
12 loan originator, the applicant shall, at a minimum, furnish to the
13 Nationwide Mortgage Licensing System and Registry information
14 concerning the applicant's identity, including the following:

15 (1) Fingerprint images and related information, for purposes of
16 performing a federal, or both a state and federal, criminal history
17 background check.

18 (2) Personal history and experience in a form prescribed by the
19 Nationwide Mortgage Licensing System and Registry, including
20 the submission of authorization for the Nationwide Mortgage
21 Licensing System and Registry and the commissioner to obtain
22 both of the following:

23 (A) An independent credit report obtained from a consumer
24 reporting agency.

25 (B) Information related to any administrative, civil, or criminal
26 findings by any governmental jurisdiction.

27 (f) The commissioner may ask the Nationwide Mortgage
28 Licensing System and Registry to obtain state criminal history
29 background check information on applicants described in
30 subdivision (a) using the procedures set forth in subdivisions (g)
31 and (h).

32 (g) If the Nationwide Mortgage Licensing System and Registry
33 electronically submits fingerprint images and related information,
34 as required by the Department of Justice, for an applicant for a
35 mortgage loan originator license, for the purposes of obtaining
36 information as to the existence and content of a record of state
37 convictions and state arrests and to the existence and content of a
38 record of state arrests for which the Department of Justice
39 establishes that the person is free on bail or on his or her
40 recognizance pending trial or appeal, the Department of Justice

1 shall provide an electronic response to the Nationwide Mortgage
2 Licensing System and Registry pursuant to paragraph (1) of
3 subdivision (p) of Section 11105 of the Penal Code, and shall
4 provide the same electronic response to the commissioner.

5 (h) The Nationwide Mortgage Licensing System and Registry
6 may request from the Department of Justice subsequent arrest
7 notification service, as provided pursuant to Section 11105.2 of
8 the Penal Code, for persons described in subdivision (a). The
9 Department of Justice shall provide the same electronic response
10 to the commissioner.

11 (i) The Department of Justice shall charge a fee sufficient to
12 cover the cost of processing the requests described in this section.

13 50141. The commissioner shall not issue a mortgage loan
14 originator license unless the commissioner makes at a minimum
15 the following findings:

16 (a) The applicant has never had a mortgage loan originator
17 license revoked in any governmental jurisdiction, except that a
18 subsequent formal vacation or set aside of such revocation shall
19 not be deemed a revocation.

20 (b) The applicant has not been convicted of, or pled guilty or
21 nolo contendere to, a felony in a domestic, foreign, or military
22 court during the seven-year period preceding the date of the
23 application for licensing and registration, or at any time preceding
24 the date of application, if such felony involved an act of fraud,
25 dishonesty, a breach of trust, or money laundering. For purposes
26 of this subdivision, any pardon of a conviction shall not constitute
27 a conviction.

28 (c) The applicant has demonstrated such financial responsibility,
29 character, and general fitness as to command the confidence of
30 the community and to warrant a determination that the mortgage
31 loan originator will operate honestly, fairly, and efficiently within
32 the purposes of this division.

33 (d) The applicant has completed the prelicensing education
34 requirement described in Section 50142.

35 (e) The applicant has passed a written test that meets the test
36 requirements described in Section 50143.

37 (f) The applicant is employed by, and subject to the supervision
38 of, a residential mortgage lender or servicer that has obtained a
39 license from the commissioner pursuant to this division.

1 (g) The surety bond of the residential mortgage lender or servicer
2 employing the applicant covers the activities of the applicant and
3 meets the requirements of Section 50205.

4 50142. (a) An applicant for a mortgage loan originator license
5 shall complete at least 20 hours of education approved in
6 accordance with subdivision (b). The education shall include at
7 least the following:

8 (1) Three hours of instruction on federal law and regulations.

9 (2) Three hours of ethics, which shall include instruction on
10 fraud, consumer protection, and fair lending issues.

11 (3) Two hours of training related to lending standards for the
12 nontraditional mortgage product marketplace.

13 (b) For purposes of subdivision (a), prelicensing education
14 courses shall be reviewed and approved by the Nationwide
15 Mortgage Licensing System and Registry. Review and approval
16 of a prelicensing education course shall include review and
17 approval of the course provider.

18 (c) Nothing in this section shall preclude any prelicensing
19 education course approved by the Nationwide Mortgage Licensing
20 System and Registry that is provided by the employer of the
21 applicant or an entity that is affiliated with the applicant by an
22 agency contract, or any subsidiary or affiliate of the employer or
23 entity.

24 (d) Prelicensing education may be offered either in a classroom,
25 online, or by any other means approved by the Nationwide
26 Mortgage Licensing System and Registry.

27 (e) The prelicensing education requirements approved by the
28 Nationwide Mortgage Licensing System and Registry for any state
29 other than California shall be accepted as credit toward completion
30 of prelicensing education requirements in California.

31 (f) An individual previously licensed under this chapter applying
32 to be licensed again must prove that he or she has completed all
33 of the continuing education requirements for the year in which
34 that individual last held the license.

35 50143. (a) An applicant for a mortgage loan originator license
36 shall pass a qualified written test developed by the Nationwide
37 Mortgage Licensing System and Registry and administered by a
38 test provider approved by the Nationwide Mortgage Licensing
39 System and Registry.

1 (b) A written test shall not be treated as a qualified written test
2 for purposes of subdivision (a) unless the test adequately measures
3 the applicant's knowledge and comprehension in appropriate
4 subject areas, including the following:

5 (1) Ethics.

6 (2) Federal law and regulation relating to mortgage origination.

7 (3) State law and regulation relating to mortgage origination.

8 (4) Federal and state law and regulation, including instruction
9 on fraud, consumer protection, the nontraditional mortgage
10 marketplace, and fair lending issues.

11 (c) Nothing in this section shall prohibit a test provider approved
12 by the Nationwide Mortgage Licensing System and Registry from
13 providing a test at the location of the employer of the applicant or
14 the location of any subsidiary or affiliate of the employer of the
15 applicant, or the location of any entity with which the applicant
16 holds an exclusive arrangement to conduct the business of a
17 mortgage loan originator.

18 (d) (1) An individual shall not be considered to have passed a
19 qualified written test unless the individual achieves a test score of
20 not less than 75 percent of correct answers to questions.

21 (2) An individual who fails the qualified written test may retake
22 the test up to three consecutive times, although at least 30 days
23 shall pass between each retesting.

24 (3) An applicant who fails three consecutive retests shall wait
25 at least six months before retesting.

26 (4) A licensed mortgage loan originator who fails to maintain
27 a valid license for a period of five years or longer shall retake the
28 test, not taking into account any time during which the individual
29 is a registered mortgage loan originator.

30 50144. (a) A mortgage loan originator shall comply with the
31 requirements of this section on or before December 31 of every
32 year.

33 (b) The minimum standards for license renewal for mortgage
34 loan originators shall include the following:

35 (1) The mortgage loan originator continues to meet the minimum
36 standards for license issuance under Section 50141.

37 (2) The mortgage loan originator has satisfied the annual
38 continuing education requirements described in Section 50145.

1 (3) The mortgage loan originator, or the residential mortgage
2 lender or servicer employing the mortgage loan originator, has
3 paid all required fees for renewal of the license.

4 (4) The license of a mortgage loan originator failing to satisfy
5 the minimum standards for license renewal shall expire at midnight
6 on January 31, except as provided in Section 50145. The
7 commissioner may adopt procedures for the reinstatement of
8 expired licenses consistent with the standards established by the
9 Nationwide Mortgage Licensing System and Registry.

10 50145. (a) A licensed mortgage loan originator shall complete
11 at least eight hours of continuing education approved in accordance
12 with subdivision (b). The continuing education shall include at
13 least the following:

14 (1) Three hours of instruction on federal law and regulations.

15 (2) Two hours of ethics, which shall include instruction on fraud,
16 consumer protection, and fair lending issues.

17 (3) Two hours of training related to lending standards for the
18 nontraditional mortgage product marketplace.

19 (b) For purposes of subdivision (a), continuing education courses
20 shall be reviewed and approved by the Nationwide Mortgage
21 Licensing System and Registry. Review and approval of a
22 continuing education course shall include review and approval of
23 the course provider.

24 (c) Nothing in this section shall preclude any education course
25 approved by the Nationwide Mortgage Licensing System and
26 Registry that is provided by the employer of the mortgage loan
27 originator or an entity that is affiliated with the mortgage loan
28 originator by an agency contract, or any subsidiary or affiliate of
29 the employer or entity.

30 (d) Continuing education may be offered either in a classroom,
31 online, or by any other means approved by the Nationwide
32 Mortgage Licensing System and Registry.

33 (e) Except as provided in subdivision (i), a licensed mortgage
34 loan originator:

35 (1) May only receive credit for a continuing education course
36 in the year in which the course is taken.

37 (2) May not take the same approved course in the same or
38 successive years to meet the annual requirements for continuing
39 education.

1 (f) A licensed mortgage loan originator who is an approved
2 instructor of an approved continuing education course may receive
3 credit for the licensed mortgage loan originator's own annual
4 continuing education requirement at the rate of two hours credit
5 for every one hour taught.

6 (g) A person who has successfully completed continuing
7 education requirements approved by the Nationwide Mortgage
8 Licensing System and Registry for any state other than California
9 shall be granted credit toward completion of continuing education
10 requirements in California.

11 (h) A licensed mortgage loan originator who subsequently
12 becomes unlicensed shall complete the continuing education
13 requirements for the last year in which the license was held prior
14 to issuance of a new or renewed license.

15 (i) A person meeting the requirements of paragraphs (1) and (3)
16 of subdivision (b) of Section 50144 may correct any deficiency in
17 continuing education as established by rule or regulation of the
18 commissioner.

19 50146. In addition to any other duties imposed upon the
20 commissioner by law, the commissioner shall require mortgage
21 loan originators to be licensed and registered through the
22 Nationwide Mortgage Licensing System and Registry. In order to
23 carry out this requirement the commissioner is authorized to
24 participate in the Nationwide Mortgage Licensing System and
25 Registry. For this purpose, the commissioner may establish by
26 rule, regulation, or order, requirements as necessary, including,
27 but not limited to, the following:

28 (a) Background checks for:

29 (1) Criminal history through fingerprint or other databases.

30 (2) Civil or administrative records.

31 (3) Credit history.

32 (4) Any other information as deemed necessary by the
33 Nationwide Mortgage Licensing System and Registry or the
34 commissioner.

35 (b) The payment of fees to apply for or renew licenses through
36 the Nationwide Mortgage Licensing System and Registry.

37 (c) The setting or resetting as necessary of renewal or reporting
38 dates.

39 (d) Requirements for amending or surrendering a license or any
40 other activities as the commissioner deems necessary for

1 participation in the Nationwide Mortgage Licensing System and
2 Registry.

3 SEC. 65. Chapter 3.6 (commencing with Section 50150) is
4 added to Division 20 of the Financial Code, to read:

5

6 CHAPTER 3.6. NATIONWIDE MORTGAGE LICENSING SYSTEM
7 AND REGISTRY

8

9 50150. (a) The commissioner is authorized to establish
10 relationships or contracts with the Nationwide Mortgage Licensing
11 System and Registry or other entities designated by the Nationwide
12 Mortgage Licensing System and Registry to collect and maintain
13 records and process transaction fees or other fees related to
14 licensees or other persons subject to this division.

15 (b) For the purpose of participating in the Nationwide Mortgage
16 Licensing System and Registry, the commissioner is authorized
17 to waive or modify, in whole or in part, by rule, regulation, or
18 order, any or all of the requirements of this division and to establish
19 new requirements as reasonably necessary to participate in the
20 Nationwide Mortgage Licensing System and Registry.

21 (c) The commissioner may use the Nationwide Mortgage
22 Licensing System and Registry as a channeling agent for requesting
23 information from, and distributing information to, the Department
24 of Justice or any governmental agency.

25 (d) The commissioner may use the Nationwide Mortgage
26 Licensing System and Registry as a channeling agent for requesting
27 and distributing information to and from any source so directed
28 by the commissioner.

29 (e) The commissioner shall establish a process where applicants
30 and licensees may challenge information entered into the
31 Nationwide Mortgage Licensing System and Registry by the
32 commissioner.

33 50151. (a) Except as otherwise provided in Section 1512 of
34 the SAFE Act, the requirements under any federal law or the
35 Information Practices Act (Chapter 1 (commencing with Section
36 1798) of Part 4 of Division 3 of the Civil Code) regarding the
37 privacy or confidentiality of any information or material provided
38 to the Nationwide Mortgage Licensing System and Registry, and
39 any privilege arising under federal or state law, including the rules
40 of any federal or state court, with respect to that information or

1 material, shall continue to apply to the information or material
2 after the information or material has been disclosed to the
3 Nationwide Mortgage Licensing System and Registry. The
4 information and material may be shared with all state and federal
5 regulatory officials with mortgage industry oversight authority
6 without the loss of privilege or the loss of confidentiality
7 protections provided by federal law or the Information Practices
8 Act.

9 (b) Information or material that is subject to a privilege or
10 confidentiality under subdivision (a) shall not be subject to the
11 following:

12 (1) Disclosure under any federal or state law governing the
13 disclosure to the public of information held by an officer or an
14 agency of the federal government or the state.

15 (2) Subpoena or discovery, or admission into evidence, in any
16 private civil action or administrative process, unless with respect
17 to any privilege held by the Nationwide Mortgage Licensing
18 System and Registry with respect to the information or material,
19 the person to whom the information or material pertains waives,
20 in whole or in part, in the discretion of that person, that privilege.

21 (c) This section shall not apply with respect to the information
22 or material relating to the employment history of, and publicly
23 adjudicated disciplinary and enforcement actions against, mortgage
24 loan originators that is included in the Nationwide Mortgage
25 Licensing System and Registry for access by the public.

26 50152. The commissioner shall report regularly violations of
27 this division, as well as enforcement actions and other relevant
28 information, to the Nationwide Mortgage Licensing System and
29 Registry, to the extent that information is public record.

30 SEC. 66. Section 50200 of the Financial Code is amended to
31 read:

32 50200. (a) At the end of the licensee's fiscal year, but in no
33 case more than 12 months after the last audit conducted pursuant
34 to this section, each licensed residential mortgage lender or servicer
35 shall cause its books and accounts to be audited by an independent
36 certified public accountant. Beginning with all audits of business
37 conducted after December 31, 1995, the audit shall be sufficiently
38 comprehensive in scope to permit the expression of an opinion on
39 the financial statements prepared in accordance with generally
40 accepted accounting principles and shall be performed in

1 accordance with generally accepted auditing standards. The audit
2 shall include a reconciliation of the licensee's trust accounts as of
3 the audit date.

4 (b) "Expression of an opinion" includes (1) an unqualified
5 opinion, (2) a qualified opinion, (3) a disclaimer of opinion, or (4)
6 an adverse opinion. If a financial statement, report, certificate, or
7 opinion of the independent certified public accountant is in any
8 way qualified, the commissioner may require the licensee to take
9 any action that the commissioner deems appropriate to address the
10 qualification. The commissioner may reject any financial statement,
11 report, certificate, or opinion by notifying the licensee or other
12 person required to make the filing of the rejection and the reason
13 therefor. Within 30 days after the receipt of the notice, the licensee
14 or other person shall correct the deficiencies. Failure to correct the
15 deficiencies is a violation of this division. The commissioner shall
16 retain a copy of all financial statements, reports, certificates, or
17 opinions so rejected.

18 (c) If a qualified or adverse opinion is expressed or if an opinion
19 is disclaimed, the reasons therefor must be fully explained.

20 (d) The audit report shall be filed with the commissioner within
21 105 days of the end of the licensee's fiscal year. The report filed
22 with the commissioner shall be certified by the certified public
23 accountant conducting the audit. The commissioner may
24 promulgate rules regarding late audit reports.

25 (e) If a licensee required to make an audit fails to cause an audit
26 to be made, the commissioner may cause the audit to be made by
27 an independent certified public accountant at the licensee's
28 expense. The commissioner shall select the independent certified
29 public accountant by advertising for bids or by other fair and
30 impartial means that the commissioner establishes by rule. The
31 commissioner may summarily revoke the license of a licensee who
32 fails to file a certified financial statement prepared by an
33 independent certified public accountant as required by this division
34 or at the request of the commissioner.

35 (f) Audits conducted in accordance with the uniform single audit
36 procedures of the United States Department of Housing and Urban
37 Development may be submitted in fulfillment of the requirements
38 of this section.

39 SEC. 67. Section 50201 of the Financial Code is amended to
40 read:

1 50201. (a) A licensee issued a license for purposes of making
2 or servicing residential mortgage loans, including a licensee
3 employing one or more mortgage loan originators, shall
4 continuously maintain a minimum tangible net worth at all times
5 of two hundred fifty thousand dollars (\$250,000).

6 (b) Tangible net worth shall be computed in accordance with
7 generally accepted accounting principles.

8 (c) The commissioner may promulgate rules or regulations with
9 respect to the requirements for minimum net worth, as are
10 necessary to accomplish the purposes of this division and comply
11 with the SAFE Act.

12 SEC. 68. Section 50202 of the Financial Code is amended to
13 read:

14 50202. (a) Escrow funds for a purpose authorized by the
15 residential mortgage loan contract (1) shall be subject to and satisfy
16 all applicable state and federal requirements, including Section
17 2609 of the federal Real Estate Settlement Procedures Act of 1974,
18 as amended (12 U.S.C. Sec. 2601 et seq.) and all applicable
19 provisions of the Civil Code, (2) shall be maintained in a depository
20 institution as described in subdivision (b), and (3) may not be
21 commingled with a licensee's funds.

22 (b) Except as provided in subdivision (f), a trust account shall
23 be placed in a non-interest-bearing account in a federally insured
24 depository institution, a federal home loan bank, a federal reserve
25 bank, or other similar government-sponsored enterprise, to be
26 removed and used only for the following:

27 (1) Payments authorized by the borrower, allowed by the
28 mortgage loan contract, or required by federal or state law.

29 (2) Refunds to the borrower.

30 (3) Transfer to another institution that is described in this
31 subdivision.

32 (4) Forwarding to the appropriate servicer in case of a transfer
33 of servicing.

34 (5) Any other purpose authorized by the residential mortgage
35 loan contract.

36 (6) Compliance with a regulatory or court order.

37 (c) As used in this section, "trust funds" means funds collected
38 by a licensee in connection with the making or servicing of a
39 residential mortgage loan that the licensee holds on behalf of
40 another.

1 (d) Notwithstanding any other provision of law, but subject to
2 the limitations of Section 854, benefits accruing from the placement
3 in a non-interest-bearing account of a commercial bank (including
4 a national banking association) of funds received by a licensee
5 who services mortgage loans under this law, shall inure to the
6 licensee, unless otherwise agreed in writing by the licensee and
7 the investor on whose behalf the licensee services the loan. A
8 borrower shall receive at least 2 percent simple interest per annum
9 on impound account payments covered by Section 2954.8 of the
10 Civil Code.

11 (e) Trust funds are not subject to the enforcement of a money
12 judgment arising out of a claim against the licensee or person
13 acting as the servicing agent, and in no instance shall the trust
14 funds be considered or treated as an asset of the licensee or person
15 performing the functions of a residential mortgage lender or loan
16 servicer.

17 (f) A licensee may, at the request of the owner of the trust funds,
18 transfer the funds initially deposited in a non-interest-bearing trust
19 account into an interest-bearing account in a federally insured
20 depository institution if all of the following requirements are met:

21 (1) The account is in the name of the residential mortgage lender
22 licensee in trust for the specified beneficiary.

23 (2) All of the funds in the account are federally insured.

24 (3) The funds in the account are kept separate and distinct from
25 the funds of the licensee or funds of any other person for whom
26 the licensee holds funds in trust.

27 (4) The licensee discloses to the person from whom the funds
28 are received and the beneficiary of the account how interest will
29 be calculated and paid, whether service charges will be paid to the
30 depository and by whom, and possible notice requirements or
31 penalties for withdrawal of funds from the account.

32 (5) All interest earned on the account will be paid to the owner
33 of the trust funds or the beneficiary.

34 SEC. 69. Section 50204 of the Financial Code is amended to
35 read:

36 50204. A licensee may not do any of the following:

37 (a) Disburse the mortgage loan proceeds in a form other than
38 direct deposit to the borrower's or borrower's designee's account,
39 wire, bank or certified check, ACH funds transfer, or attorney's
40 check drawn on a trust account. An entity may apply to the

- 1 commissioner for a waiver of the requirements of this subdivision
2 by demonstrating, in a letter application, that it has adopted or will
3 adopt another method of disbursement of loan proceeds that will
4 satisfy the purposes of this subdivision.
- 5 (b) Fail to disburse funds in accordance with a commitment to
6 make a mortgage loan that is accepted by the applicant.
- 7 (c) Accept fees at closing that are not disclosed to the borrower
8 on the federal HUD-1 Settlement Statement.
- 9 (d) Commit an act in violation of Section 2941 of the Civil
10 Code.
- 11 (e) Obtain or induce an agreement or other instrument in which
12 blanks are left to be filled in after execution.
- 13 (f) Intentionally delay closing of a mortgage loan for the sole
14 purpose of increasing interest, costs, fees, or charges payable by
15 the borrower.
- 16 (g) Engage in fraudulent home mortgage underwriting practices.
- 17 (h) Make payment of any kind, whether directly or indirectly,
18 to an in-house or fee appraiser of a government or private money
19 lending agency, with which an application for a home mortgage
20 has been filed, for the purpose of influencing the independent
21 judgment of the appraiser with respect to the value of real estate
22 that is to be covered by the home mortgage.
- 23 (i) Engage in any acts in violation of Section 17200 or 17500
24 of the Business and Professions Code.
- 25 (j) Knowingly misrepresent, circumvent, or conceal, through
26 subterfuge or device, any material aspect or information regarding
27 a transaction to which it is a party.
- 28 (k) Do an act, whether of the same or a different character than
29 specified in this section, that constitutes fraud or dishonest dealings.
- 30 (l) Sell more than eight loans in a calendar year made under the
31 authority of this license to a person who is not an institutional
32 investor.
- 33 (m) Commit an act in violation of Section 1695.13 of the Civil
34 Code.
- 35 (n) Make or service a loan that is not a residential mortgage
36 loan under the authority of the license.
- 37 (o) Commit an act in violation of Section 2948.5 of the Civil
38 Code. Evidence of compliance with Section 2948.5 of the Civil
39 Code may be evidenced by (1) a certification executed by the
40 licensee, at no cost to the borrower, pursuant to Section 2015.5 of

1 the Code of Civil Procedure, or (2) other evidence in the loan file
2 acceptable to the commissioner.

3 (p) Make or broker a loan that is offered by, negotiated by, or
4 applied for through a mortgage loan originator who is not licensed
5 in this state through the Nationwide Mortgage Licensing System
6 and Registry, unless the mortgage loan originator is exempt from
7 licensure.

8 SEC. 70. Section 50205 of the Financial Code is amended to
9 read:

10 50205. (a) A residential mortgage lender or servicer licensee
11 shall maintain a surety bond in accordance with this subdivision.
12 The bond shall be used for the recovery of expenses, fines, and
13 fees levied by the commissioner in accordance with this division
14 or for losses or damages incurred by borrowers or consumers as
15 the result of a licensee's noncompliance with the requirements of
16 this division. The bond shall be payable when the licensee fails to
17 comply with a provision of this division and shall be in the amount
18 of fifty thousand dollars (\$50,000), and may be increased by order
19 of the commissioner to one hundred thousand dollars (\$100,000)
20 upon a determination by the commissioner that the licensee is not
21 in compliance with any provision of this chapter or any rule or
22 order adopted or issued by the commissioner to implement or
23 enforce provisions of this chapter. The bond shall be payable to
24 the commissioner and issued by an insurance company authorized
25 to do business in this state. An original surety bond, including any
26 and all riders and endorsements executed subsequent to the
27 effective date of the bond, shall be filed with the commissioner
28 within 10 days of its execution.

29 (b) When an action is commenced on a licensee's bond, the
30 commissioner may require the filing of a new bond. Immediately
31 upon the recovery of an action on the bond, the licensee shall file
32 a new bond. Failure to file a new bond within 10 days of the
33 recovery on a bond, or within 10 days after notification by the
34 commissioner that a new bond is required, constitutes sufficient
35 grounds for the suspension or revocation of the license.

36 (c) The commissioner ~~shall~~ *may* by rule require a higher bond
37 amount for a licensee employing one or more mortgage loan
38 originators, based on the dollar amount of residential mortgage
39 loans originated by that licensee and any mortgage loan originators

1 employed by that licensee. Every mortgage loan originator
2 employed by the licensee shall be covered by the surety bond.

3 SEC. 71. Section 50206 of the Financial Code is amended to
4 read:

5 50206. (a) Prior to a change of control of the business of a
6 licensee, the person wishing to acquire control shall submit an
7 application to the commissioner and pay an investigation fee of
8 one hundred dollars (\$100). The application shall contain the
9 information that the commissioner, by rule, may prescribe as
10 necessary to determine that the person meets the requirements of
11 Section 50121.

12 (b) The commissioner shall approve or disapprove the proposed
13 change of control of a licensee in accordance with the provisions
14 of Section 50126.

15 (c) Upon notification by the commissioner that the change of
16 control has been disapproved, the acquiring party shall immediately
17 cease any activity subject to regulation under this division.

18 SEC. 72. Section 50208 of the Financial Code is amended to
19 read:

20 50208. The license shall state the name of the licensee. If the
21 licensee is a partnership, the license shall state the names of its
22 general partners. If the licensee is a corporation or an association,
23 the license shall state the date and place of the corporation's
24 incorporation or organization. If the licensee is a residential
25 mortgage lender or servicer, the license shall state the address of
26 the licensee's principal business location. The license shall state
27 whether the licensee is licensed as a residential mortgage loan
28 lender or servicer or as a mortgage loan originator.

29 SEC. 73. Section 50209 is added to the Financial Code, to read:

30 50209. The unique identifier of any licensed mortgage loan
31 originator shall be clearly shown on all residential mortgage loan
32 application forms, solicitations, or advertisements, including
33 business cards or Internet Web sites, and any other documents as
34 established by rule, regulation, or order of the commissioner.

35 SEC. 74. Section 50302 of the Financial Code is amended to
36 read:

37 50302. (a) As often as the commissioner deems necessary and
38 appropriate, but at least once every 48 months, the commissioner
39 shall examine the affairs of each residential mortgage lender and
40 servicer licensee for compliance with this division. The

1 commissioner shall appoint suitable persons to perform the
2 examination. The commissioner and his or her appointees may
3 examine the books, records, and documents of the licensee, and
4 may examine the licensee's officers, directors, employees, or agents
5 under oath regarding the licensee's operations. The commissioner
6 may cooperate with any agency of the state or federal government,
7 other states, agencies, the Federal National Mortgage Association,
8 or the Federal Home Loan Mortgage Corporation. The
9 commissioner may accept an examination conducted by one of
10 these entities in place of an examination by the commissioner
11 under this law, unless the commissioner determines that the
12 examination does not provide information necessary to enable the
13 commissioner to fulfill his or her responsibilities under this
14 division.

15 (b) The commissioner shall provide a written statement of the
16 findings of the examination, issue a copy of that statement to each
17 licensee's principals, officers, or directors, and take appropriate
18 steps to ensure correction of any violations of this division.

19 (c) Affiliates of a licensee are subject to examination by the
20 commissioner on the same terms as the licensee, but only when
21 reports from, or examination of, a licensee provides documented
22 evidence of unlawful activity between a licensee and affiliate
23 benefiting, affecting, or arising from the activities regulated by
24 this division.

25 (d) The residential mortgage lender and servicer licensee shall
26 pay, and the commissioner shall assess, the reasonable expenses
27 of any examination of the licensee and affiliates, consistent with
28 the requirements of subdivision (c) of Section 50314.

29 (e) The statement of the findings of an examination shall belong
30 to the commissioner and shall not be disclosed to anyone other
31 than the licensee, law enforcement officials, or other state or federal
32 regulatory agencies for further investigation and enforcement.
33 Reports required of licensees by the commissioner under this
34 division and results of examinations performed by the
35 commissioner under this division are the property of the
36 commissioner.

37 SEC. 75. Section 50307 of the Financial Code is amended to
38 read:

39 50307. (a) Each residential mortgage lender and servicer
40 licensee shall file a report with the commissioner annually, on or

1 before the first day of March, giving the relevant information that
2 the commissioner reasonably requires to make the calculation
3 required by subdivision (a) of Section 50401. The report shall be
4 made under oath and in the form prescribed by the commissioner.

5 (b) A licensee shall make any other special reports to the
6 commissioner that the commissioner may, from time to time,
7 require.

8 (c) If any licensed residential mortgage lender or servicer subject
9 to this division fails to make a report required by law or by the
10 commissioner, the commissioner may immediately cause the books,
11 records, papers, and affairs of that licensee to be thoroughly
12 examined.

13 SEC. 76. Section 50307.2 is added to the Financial Code, to
14 read:

15 50307.2. The commissioner may require a licensee that employs
16 one or more mortgage loan originators to submit to the Nationwide
17 Mortgage Licensing System and Registry reports of condition,
18 which shall be in such form and shall contain such information as
19 the Nationwide Mortgage Licensing System and Registry may
20 require.

21 SEC. 77. Section 50310 of the Financial Code is amended to
22 read:

23 50310. Nothing in this law shall preclude a person, other than
24 a mortgage loan originator, whose license has been suspended or
25 revoked, summarily or otherwise, from continuing to service
26 residential mortgage loans pursuant to servicing contracts in
27 existence at the time of the suspension for a reasonable transition
28 period, as determined by the commissioner, after the date of the
29 entry of the final decision in the case suspending or revoking the
30 license.

31 SEC. 78. Section 50317 of the Financial Code is amended to
32 read:

33 50317. (a) Any person who has been convicted of, or pleaded
34 nolo contendere to any crime specified in subdivision (b) within
35 the past 10 years or has been held liable in any civil action by final
36 judgment or any administrative judgment by any public agency
37 within the past seven years, of any of the provisions specified in
38 subdivision (b), shall not serve as an officer, director, partner,
39 shareholder controlling 10 percent or more of the ownership
40 interests, trustee, or employee of a residential mortgage lender or

1 residential mortgage loan servicer. This subdivision shall not apply
2 to any person whose office, employment, ownership interest, or
3 other participation in the business of a licensed residential mortgage
4 lender or residential mortgage loan servicer commenced prior to
5 January 1, 1995, or whose criminal conviction, plea, or judgment
6 occurred prior to January 1, 1995.

7 (b) Subdivision (a) applies to criminal convictions of, pleas of
8 nolo contendere to, or civil or administrative judgments entered
9 for offenses including the following:

10 (1) Offenses specified in Chapter 18 (commencing with Section
11 3350) of Division 1.

12 (2) Offenses specified in Article 4 (commencing with Section
13 5300) of Chapter 1 of Division 2.

14 (3) Offenses specified in Article 8 (commencing with Section
15 14750) of Chapter 4 of Division 5.

16 (4) Offenses specified in Chapter 7 (commencing with Section
17 17700) of Division 6.

18 (5) Offenses specified in Chapter 6 (commencing with Section
19 18435) of Division 7.

20 (6) Offenses specified in provisions of the laws of the United
21 States added or amended by the federal Financial Institutions
22 Reform, Recovery and Enforcement Act of 1989 (Public Law
23 101-73).

24 (7) Offenses involving robbery, burglary, theft, embezzlement,
25 fraud, fraudulent conversion or misappropriation of property,
26 forgery, bookmaking, receiving stolen property, counterfeiting,
27 extortion, checks, credit cards, or computer violations specified
28 in Section 502 of the Penal Code. For the purpose of this section,
29 but not Section 50318, an offense does not include a conviction
30 for which the person has obtained a certificate of rehabilitation
31 from a court of competent jurisdiction under Section 1203.4 or
32 4852.13 of the Penal Code or a similar certificate of rehabilitation
33 obtained in a foreign jurisdiction.

34 (c) On and after January 1, 1995, any officer, director, or other
35 person who seeks a controlling ownership interest of 10 percent
36 or more in the business of a licensed residential mortgage lender
37 or residential mortgage loan servicer shall, as a condition to
38 obtaining that interest or participation, authorize the commissioner
39 to have access to that person's state summary criminal history
40 information, as defined in Section 11105 of the Penal Code, for

1 purposes of determining whether the person has a prior conviction
2 of, or pleaded nolo contendere to, a criminal offense specified in
3 subdivision (b).

4 (d) Any state summary criminal history information obtained
5 pursuant to this section shall be kept confidential and no recipient
6 shall disclose the contents other than for the purpose of acquisition
7 of an ownership interest in or other participation in the business
8 of a licensed residential mortgage lender or residential mortgage
9 loan servicer.

10 (e) Any person who knowingly violates subdivision (a),
11 including, but not limited to, any residential mortgage lender or
12 residential mortgage loan servicer who permits an ownership
13 interest in or other participation in the business of a residential
14 mortgage lender or residential mortgage loan servicer in violation
15 of subdivision (a) shall, upon conviction, be subject to punishment
16 as set forth in Section 50500.

17 (f) Nothing in this section shall be construed to permit the
18 reinstatement of any person barred by the commissioner pursuant
19 to Section 50320 nor to prohibit the commissioner from bringing
20 any action pursuant to Section 50320.

21 (g) If any provision of this section or the application of this
22 section to any person or circumstances is held invalid, that
23 invalidity shall not affect other provisions or applications of this
24 section that can be given effect without the invalid provision or
25 application, and to this end the provisions of this section are
26 severable.

27 (h) For purposes of this section, the term “employee” means
28 (1) a mortgage loan originator, including a loan officer or other
29 individual who negotiates agreements with the public, or (2) an
30 individual with access to or responsibility for trust funds held by
31 the licensee.

32 SEC. 79. Section 50318 of the Financial Code is amended to
33 read:

34 50318. (a) The commissioner may, after appropriate notice
35 and opportunity for hearing, by order censure or suspend for a
36 period not exceeding 12 months, or bar from any position of
37 employment, management, or control any residential mortgage
38 lender, residential mortgage loan servicer, or mortgage loan
39 originator, or any other person, if the commissioner finds either
40 of the following:

1 (1) That the censure, suspension, or bar is in the public interest
2 and that the person has committed or caused a violation of this
3 division or rule or order of the commissioner, and (A) the violation
4 was either known or should have been known by the person
5 committing or causing it, or (B) the violation has caused material
6 damage to the residential mortgage lender, residential mortgage
7 loan servicer, mortgage loan originator, or to the public.

8 (2) That the person (A) has been convicted of or pleaded nolo
9 contendere to any crime, or (B) has been held liable in any civil
10 action by final judgment, or any administrative judgment by any
11 public agency, if that crime or civil or administrative judgment
12 involved any offense specified in subdivision (b) of Section 50317,
13 or any other offense reasonably related to the qualifications,
14 functions, or duties of a person engaged in the business in
15 accordance with the provisions of this division.

16 (b) Within 15 days from the date of a notice of intention to issue
17 an order pursuant to subdivision (a), the person may request a
18 hearing under the Administrative Procedure Act (Chapter 5
19 (commencing with Section 11500) of Part 1 of Division 3 of Title
20 2 of the Government Code). Upon receiving a request, the matter
21 shall be set for hearing to commence within 30 days after receipt
22 unless the person subject to this division consents to a later date.
23 If no hearing is requested within 15 days after the mailing or
24 service of the notice and none is ordered by the commissioner, the
25 failure to request a hearing shall constitute a waiver of the right to
26 a hearing.

27 (c) Upon receipt of a notice of intention to issue an order
28 pursuant to this section, the person who is the subject of the
29 proposed order is immediately prohibited from engaging in any
30 activities subject to licensure under the law.

31 (d) Persons suspended or barred under this section are prohibited
32 from participating in any business activity of a licensed residential
33 mortgage lender, residential mortgage loan servicer, or mortgage
34 loan originator and from engaging in any business activity on the
35 premises where a licensed residential mortgage lender, residential
36 mortgage loan servicer, or mortgage loan originator is conducting
37 its business. This subdivision shall not be construed to prohibit
38 suspended or barred persons from having their personal transactions
39 processed by a licensed residential mortgage lender, residential
40 mortgage loan servicer, or mortgage loan originator.

1 (e) This section shall apply to any violation, conviction, plea,
2 or judgment after the enactment of this section.

3 (f) If any provision of this section or the application of this
4 section to any person or circumstances is held invalid, that
5 invalidity shall not affect other provisions or applications of this
6 section that can be given effect without the invalid provision or
7 application, and to this end the provisions of this section are
8 severable.

9 (g) For purposes of this section, the term “employee” means
10 (1) a mortgage loan originator, including a loan officer or other
11 individual who negotiates agreements with the public, or (2) an
12 individual with access to or responsibility for trust funds held by
13 the licensee.

14 SEC. 80. Section 50320 of the Financial Code is amended to
15 read:

16 50320. Whenever, in the opinion of the commissioner, a person
17 is engaged, either actually or through subterfuge, in the business
18 of making residential mortgage loans, servicing residential
19 mortgage loans, or engaging in business as a mortgage loan
20 originator, without a license from the commissioner, the
21 commissioner may order that person to desist and refrain. If, within
22 30 days after an order is served, a request for a hearing is filed in
23 writing and the hearing is not held within 60 days of the filing, the
24 order is rescinded. This section does not apply to persons exempted
25 under subdivision (b) of Section 50002.

26 SEC. 81. Section 50325 of the Financial Code is amended to
27 read:

28 50325. The commissioner may immediately revoke the
29 residential mortgage lender’s, residential mortgage loan servicer’s,
30 or mortgage loan originator’s license if the licensee fails to comply
31 with any order issued under Section 50318, 50319, 50321, 50322,
32 or 50503. The commissioner shall not revoke the license if, within
33 10 days from the effective date of the revocation order, the licensee
34 secures a court order restraining the enforcement of the
35 commissioner’s revocation order.

36 SEC. 82. Section 50333 of the Financial Code is amended to
37 read:

38 50333. (a) The commissioner shall apply the guidance on
39 nontraditional mortgage product risks published on November 14,
40 2006, by the Conference of State Bank Supervisors and the

1 American Association of Residential Mortgage Regulators, and
2 the Statement on Subprime Mortgage Lending published on July
3 17, 2007, by the aforementioned entities and the National
4 Association of Consumer Credit Administrators, to licensees.

5 (b) The commissioner may adopt emergency and final rules to
6 clarify the application of this section as soon as possible.

7 (c) A licensee shall adopt and adhere to policies and procedures
8 that are reasonably intended to achieve the objectives set forth in
9 the documents described in subdivision (a). A licensed mortgage
10 loan originator shall adhere to policies and procedures developed
11 by his or her employer in accordance with this division and
12 applicable federal law and regulation.

13 SEC. 83. Section 50401 of the Financial Code is amended to
14 read:

15 50401. (a) In addition to other fees and reimbursements
16 required to be paid under this division, each residential mortgage
17 lender or servicer licensee shall pay to the commissioner an amount
18 equal to the lesser of: (1) its pro rata share of all costs and expenses
19 (including overhead and the maintenance of a prudent reserve not
20 to exceed 90 days' costs and expenses) that the commissioner
21 reasonably expects to incur in the current fiscal year in the
22 administration of this division and not otherwise recovered by the
23 commissioner under this division or from the State Corporations
24 Fund, plus a deficit or less a surplus actually incurred during the
25 prior fiscal year; or (2) five thousand dollars (\$5,000). The pro
26 rata share shall be the greater of either one thousand dollars
27 (\$1,000) or the sum of: (A) a number derived from the ratio of the
28 aggregate principal amount of the mortgage loans secured by
29 residential real property originated by the licensee to all mortgage
30 loans secured by residential real property originated by all licensees
31 under this division, as shown by the annual financial reports to the
32 commissioner, which number is then multiplied by one-half of the
33 costs and expenses estimated by the commissioner for the current
34 fiscal year; plus (B) a number derived from the ratio of the average
35 value of mortgage loans secured by residential real property
36 serviced by a licensee to the average value of all mortgage loans
37 secured by residential real property serviced by all licensees under
38 this division, as shown by the annual financial reports to the
39 commissioner, which number is then multiplied by one-half of the
40 costs and expenses estimated by the commissioner for the current

1 fiscal year. For the purposes of this section, the “principal amount”
2 of a mortgage loan means the initial total amount a borrower is
3 obligated to repay the lender and the “average value” of loans
4 serviced means the sum of the aggregate dollar value of all
5 mortgage loans secured by residential real property serviced by a
6 licensee, calculated as of the last day of each month in the calendar
7 year just ended, divided by 12.

8 In order for the commissioner to calculate the assessment under
9 this section, each licensee shall file an annual report for the
10 calendar year just ended containing the information required by
11 the commissioner on or before March 1 of the year in which the
12 assessment is to be calculated.

13 In determining the amount assessed, the commissioner shall
14 consider all appropriations from the State Corporations Fund for
15 the support of this division and all reimbursements provided for
16 under this division.

17 (b) In no case shall the reimbursement, payment, or other fee
18 authorized by this section exceed the cost, including overhead,
19 reasonably incurred in the administration of this division, and the
20 maintenance of a prudent reserve not to exceed 90 days’ costs and
21 expenses.

22 (c) On or before the 30th day of September in each year, the
23 commissioner shall notify each licensee by mail of the amount
24 assessed and levied against it and that amount shall be paid within
25 20 days. If payment is not made within 20 days, the commissioner
26 shall assess and collect a penalty, in addition to the assessment of
27 1 percent of the assessment for each month or part of a month that
28 the payment is delayed or withheld.

29 (d) If a licensee fails to pay the assessment on or before the 30th
30 day following the day upon which payment is due, the
31 commissioner may by order summarily suspend or revoke the
32 license issued to the licensee. An order issued under this section
33 is not stayed by the filing of a request for a hearing. If, after an
34 order is made, the request for hearing is filed in writing within 15
35 days from the date of service of the order and a hearing is not held
36 within 60 days of the filing, the order is deemed rescinded as of
37 its effective date. During a period when its license is revoked or
38 suspended, a licensee shall not conduct business pursuant to this
39 division except as may be permitted by further order of the
40 commissioner. However, the revocation, suspension, or surrender

1 of a license shall not affect the powers of the commissioner as
2 provided in this division.

3 SEC. 84. Section 50513 is added to the Financial Code, to read:

4 50513. (a) The commissioner may do one or more of the
5 following:

6 (1) Deny, suspend, revoke, condition, or decline to renew a
7 mortgage loan originator license for a violation of this division,
8 or any rules or regulations adopted thereunder.

9 (2) Deny, suspend, revoke, condition, or decline to renew a
10 mortgage loan originator license if an applicant or licensee fails
11 at any time to meet the requirements of Section 50141 or 50144,
12 or withholds information or makes a material misstatement in an
13 application for a license or license renewal.

14 (3) Order restitution against a mortgage loan originator or any
15 residential mortgage lender or servicer licensee employing a
16 mortgage loan originator for a violation of this division.

17 (4) Impose fines on a mortgage loan originator or any residential
18 mortgage lender or servicer licensee employing a mortgage loan
19 originator pursuant to subdivisions (b), (c), and (d).

20 (5) Issue orders or directives to mortgage loan originators under
21 this division as follows:

22 (A) Order or direct a mortgage loan originator or any residential
23 mortgage lender or servicer licensee employing a mortgage loan
24 originator to desist and refrain from conducting business, including
25 immediate temporary orders to desist and refrain.

26 (B) Order or direct a mortgage loan originator or any residential
27 mortgage lender or servicer licensee employing a mortgage loan
28 originator to cease any harmful activities or violations of this
29 division, including immediate temporary orders to desist and
30 refrain.

31 (C) Enter immediate temporary orders to cease business under
32 a license issued pursuant to the authority granted under Section
33 50002 if the commissioner determines that the license was
34 erroneously granted or the mortgage loan originator is currently
35 in violation of this division.

36 (D) Order or direct any other affirmative action as the
37 commissioner deems necessary.

38 (b) The commissioner may impose a civil penalty on a mortgage
39 loan originator or any residential mortgage lender or servicer
40 licensee employing a mortgage loan originator, if the commissioner

1 finds, on the record after notice and opportunity for hearing, that
2 the mortgage loan originator or any residential mortgage lender
3 or servicer licensee employing a mortgage loan originator has
4 violated or failed to comply with any requirement of this division
5 or any regulation prescribed by the commissioner under this
6 division or order issued under authority of this division.

7 (c) The maximum amount of penalty for each act or omission
8 described in subdivision (b) shall be twenty-five thousand dollars
9 (\$25,000).

10 (d) Each violation or failure to comply with any directive or
11 order of the commissioner is a separate and distinct violation or
12 failure.

13 SEC. 85. Section 50601 of the Financial Code is repealed.

14 SEC. 86. Section 50602 of the Financial Code is repealed.

15 SEC. 87. Section 50700 of the Financial Code is amended to
16 read:

17 50700. (a) A residential mortgage lender, or a person or
18 employee acting under the authority of a residential mortgage
19 lender's license, including a mortgage loan originator, shall not
20 provide brokerage services to a borrower, except as provided in
21 subdivision (c).

22 (b) "Brokerage services" means either of the following:

23 (1) Obtaining or attempting to obtain, on behalf of a borrower,
24 a residential mortgage loan, as defined in subdivision (p) of Section
25 50003, secured by residential real estate, as defined in subdivision
26 (w) of Section 50003, made with the funds of another institutional
27 lender, as defined in paragraphs (1), (2), and (4) of subdivision (k)
28 of Section 50003, and closed in the name of that lender, for a fee
29 paid by the borrower or the institutional lender.

30 (2) Obtaining or attempting to obtain, on behalf of a borrower,
31 a residential mortgage loan, as defined in subdivision (p) of Section
32 50003, secured by residential real estate, as defined in subdivision
33 (w) of Section 50003, made with the funds of another institutional
34 lender, as defined in paragraphs (1), (2), and (4) of subdivision (k)
35 of Section 50003, but closed in the name of the licensee, for a fee
36 paid by the borrower or the institutional lender.

37 (c) A residential mortgage lender or a mortgage loan originator
38 employed by a residential mortgage lender may provide brokerage
39 services under the authority of the lender's license, if the lender

1 first enters into a written brokerage agreement with the borrower
2 that satisfies the requirements of Section 50701.

3 (d) This chapter does not authorize a residential mortgage lender
4 licensee to do any of the following:

5 (1) Provide brokerage services through independent contractors.

6 (2) Provide brokerage services through an employee not licensed
7 as a mortgage loan originator.

8 (3) Obtain or attempt to obtain for a borrower a residential
9 mortgage loan that is a “high cost mortgage,” referred to in Section
10 152(aa)(1) of the federal Home Ownership and Equity Protection
11 Act of 1994, as amended (15 U.S.C. Sec. 1602 (aa)).

12 (4) Hold itself out to borrowers, through advertising, as a
13 mortgage broker, rather than a residential mortgage lender.
14 However, a licensee shall disclose its status as a broker or agent
15 when that disclosure is required by law.

16 (5) Perform activity subject to Section 10131 of the Business
17 and Professions Code, except activities authorized by this division.

18 (e) A mortgage loan originator may only provide brokerage
19 services as an employee of a licensed residential mortgage lender.

20 SEC. 88. Section 50701 of the Financial Code is amended to
21 read:

22 50701. (a) As soon as practical after a borrower requests that
23 the residential mortgage lender licensee arrange a loan to be made
24 by another institutional lender, and before the licensee performs
25 brokerage services for the borrower, the licensee and borrower
26 shall enter into a written loan brokerage agreement that satisfies
27 the requirements of this section.

28 (b) Both the licensee’s authorized representative, who shall be
29 a licensed mortgage loan originator, and the borrower shall sign
30 and date the loan brokerage agreement, and the licensee shall
31 deliver a copy of the fully executed loan brokerage agreement to
32 the borrower either upon execution, if the documents are signed
33 in the licensee’s office, or within three business days after
34 execution.

35 (c) The loan brokerage agreement shall include the mortgage
36 loan originator’s unique identifier.

37 (d) The loan brokerage agreement shall contain an explicit
38 statement that (1) the licensee is acting as the agent of the borrower
39 in providing brokerage services to the borrower, and (2) when
40 acting as agent for the borrower, it owes to that borrower a

1 fiduciary duty of utmost care, honesty, and loyalty in the
2 transaction, including the duty of full disclosure of all material
3 facts. If the licensee is authorized to act as an agent for any other
4 person, the brokerage agreement shall contain a statement of that
5 fact and identification of that person.

6 (e) The loan brokerage agreement shall contain a detailed
7 description of the services the licensee agrees to perform for the
8 borrower, and a good faith estimate of any fees the licensee will
9 receive for those services, whether paid by the borrower, the
10 institutional lender, or both.

11 (f) The loan brokerage agreement shall carry a clear and
12 conspicuous statement of the conditions under which the borrower
13 is obligated to pay the licensee for brokerage services rendered
14 under the agreement.

15 (g) The loan brokerage agreement shall provide that, if the
16 licensee makes a materially false or misleading statement or
17 omission in the inducement or implementation of the agreement,
18 the borrower may, in addition to any other legal rights or remedies,
19 upon written notice, do any of the following:

20 (1) Rescind the brokerage agreement.

21 (2) Recover fees paid by the borrower to the licensee for
22 brokerage services rendered by the licensee pursuant to the
23 agreement.

24 (3) Recover actual costs, including attorney's fees, for enforcing
25 the borrower's rights under the loan brokerage agreement.

26 (h) If the loan brokerage agreement fails to set forth the rights
27 in subdivision (g), these rights shall be implied by operation of
28 law.

29 (i) The loan brokerage agreement shall be the only agreement
30 between the borrower and the licensee with respect to a single
31 loan.

32 (j) A licensee whose services to a borrower are limited to
33 providing brokerage services may not require a borrower to pay
34 fees or charges before the residential mortgage loan closing, other
35 than either of the following:

36 (1) Actual charges to be incurred by the licensee on behalf of
37 the borrower for services from third parties necessary to process
38 the application, such as credit reports, appraisals, inspections, flood
39 certification, and tax service, and, in transactions where those
40 services are provided by the licensee, a charge not to exceed the

1 fee customarily charged for the same or comparable service in the
2 community in which the service was rendered.

3 (2) An application fee.

4 A licensee may not accept a fee under Section 50203(a)(1) or
5 (2) and subsequently require a borrower to pay additional fees or
6 charges under this paragraph for the borrower's loan transaction.

7 (k) Any loan brokerage agreement that provides for the
8 collection of an application fee shall be approved as to form by
9 the commissioner before its use by a licensee, if the agreement
10 meets the following requirements:

11 (1) The agreement specifies the services to be rendered for the
12 application fee.

13 (2) The agreement sets forth the amount of the application fee
14 and the date the fee becomes due and payable.

15 (3) The agreement does not contain a provision that purports to
16 except or relieve the licensee from the responsibility to fulfill
17 verbal commitments and representations made by employees or
18 agents of the licensee when contracting for the application fee, or
19 guarantee that a loan will be obtained.

20 (4) The agreement sets forth a definite date for full performance
21 of the services promised in exchange for the application fee.

22 SEC. 89. Section 50705 of the Financial Code is repealed.

23 SEC. 90. Section 18034 is added to the Health and Safety Code,
24 to read:

25 18034. (a) A dealer, as defined in Section 18002.6, or a
26 salesperson, as defined in Section 18013, is not required to be
27 licensed as a mortgage loan originator under the provisions of state
28 law that implement the federal Secure and Fair Enforcement for
29 Mortgage Licensing Act of 2008 (Public Law 110-289), if the
30 dealer or salesperson performs only administrative or clerical tasks
31 on behalf of a person meeting the definition of a mortgage loan
32 originator, and if the dealer or salesperson does not accept
33 compensation from a lender, mortgage loan originator, or from
34 any agent of any lender or mortgage loan originator.

35 (b) For purposes of this section, the term "administrative and
36 clerical tasks" means the receipt, collection, and distribution of
37 information common for the processing or underwriting of a loan
38 in the mortgage industry and communication with a consumer to
39 obtain information necessary for the processing or underwriting
40 of a residential mortgage loan.

1 SEC. 91. The Legislature finds and declares that Sections 6,
2 20, and 65 of this act imposes a limitation on the public's right of
3 access to the meetings of public bodies or the writings of public
4 officials and agencies within the meaning of Section 3 of Article
5 I of the California Constitution. Pursuant to that constitutional
6 provision, the Legislature makes the following findings to
7 demonstrate the interest protected by this limitation and the need
8 for protecting that interest:

9 In order to allow the Department of Real Estate and the
10 Department of Corporations to fully accomplish their goals, it is
11 imperative to protect the interests of those persons submitting
12 information to the departments to ensure that any personal or
13 sensitive business information that this act requires those persons
14 to submit is protected as confidential information.

15 SEC. 92. Every person who is required to hold a mortgage loan
16 originator license under the California Finance Lenders Law or
17 the California Residential Mortgage Lending Act shall obtain that
18 license by July 31, 2010. Every person who is required to hold a
19 mortgage loan originator license endorsement under the Real Estate
20 Law shall obtain that license endorsement by December 31, 2010.
21 No person required to hold a mortgage loan originator license
22 under the California Finance Lenders Law or the California
23 Residential Mortgage Lending Act shall be required to obtain that
24 license before July 1, 2010. No person required to hold a mortgage
25 loan originator license endorsement under the Real Estate Law
26 shall be required to obtain that license endorsement before
27 December 1, 2010.

28 SEC. 93. The provisions of this act are severable. If any
29 provision of this act or its application is held invalid, that invalidity
30 shall not affect other provisions or applications that can be given
31 effect without the invalid provision or application.

32 SEC. 94. No reimbursement is required by this act pursuant to
33 Section 6 of Article XIII B of the California Constitution because
34 the only costs that may be incurred by a local agency or school
35 district will be incurred because this act creates a new crime or
36 infraction, eliminates a crime or infraction, or changes the penalty
37 for a crime or infraction, within the meaning of Section 17556 of
38 the Government Code, or changes the definition of a crime within
39 the meaning of Section 6 of Article XIII B of the California
40 Constitution.

1 SEC. 95. This act is an urgency statute necessary for the
2 immediate preservation of the public peace, health, or safety within
3 the meaning of Article IV of the Constitution and shall go into
4 immediate effect. The facts constituting the necessity are:
5 In order to implement protections for the public relative to
6 mortgage loan originators at the earliest possible time, it is
7 necessary that this act take effect immediately.

O