

**Introduced by Committee on Banking, Finance and Insurance  
(Senators Calderon (Chair), Cogdill, Correa, Cox, Florez, Kehoe,  
Liu, Lowenthal, Padilla, Price, and Runner)**

February 18, 2010

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An act to amend Section 50700 of the Financial Code, relating to mortgage lending.

LEGISLATIVE COUNSEL'S DIGEST

SB 1137, as introduced, Committee on Banking, Finance and Insurance. Residential mortgage lenders.

Existing law, the California Residential Mortgage Lending Act, provides for the regulation and licensure of residential mortgage lenders and servicers and mortgage loan originators by the Commissioner of Corporations. Existing law defines the term "brokerage services" for purposes of these provisions.

This bill would correct an erroneous cross-reference in the provisions defining "brokerage services."

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

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

- 1 SECTION 1. Section 50700 of the Financial Code is amended
- 2 to read:
- 3 50700. (a) A residential mortgage lender, or a person or
- 4 employee acting under the authority of a residential mortgage
- 5 lender's license, including a mortgage loan originator, shall not
- 6 provide brokerage services to a borrower, except as provided in
- 7 subdivision (c).

1 (b) “Brokerage services” means either of the following:

2 (1) Obtaining or attempting to obtain, on behalf of a borrower,  
3 a residential mortgage loan, as defined in subdivision (p) of Section  
4 50003, secured by residential real estate, as defined in subdivision  
5 ~~(w)~~ (v) of Section 50003, made with the funds of another  
6 institutional lender, as defined in paragraphs (1), (2), and (4) of  
7 subdivision (k) of Section 50003, and closed in the name of that  
8 lender, for a fee paid by the borrower or the institutional lender.

9 (2) Obtaining or attempting to obtain, on behalf of a borrower,  
10 a residential mortgage loan, as defined in subdivision (p) of Section  
11 50003, secured by residential real estate, as defined in subdivision  
12 ~~(w)~~ (v) of Section 50003, made with the funds of another  
13 institutional lender, as defined in paragraphs (1), (2), and (4) of  
14 subdivision (k) of Section 50003, but closed in the name of the  
15 licensee, for a fee paid by the borrower or the institutional lender.

16 (c) A residential mortgage lender or a mortgage loan originator  
17 employed by a residential mortgage lender may provide brokerage  
18 services under the authority of the lender’s license, if the lender  
19 first enters into a written brokerage agreement with the borrower  
20 that satisfies the requirements of Section 50701.

21 (d) This chapter does not authorize a residential mortgage lender  
22 licensee to do any of the following:

23 (1) Provide brokerage services through independent contractors.

24 (2) Provide brokerage services through an employee not licensed  
25 as a mortgage loan originator.

26 (3) Obtain or attempt to obtain for a borrower a residential  
27 mortgage loan that is a “high cost mortgage,” referred to in Section  
28 152(aa)(1) of the federal Home Ownership and Equity Protection  
29 Act of 1994, as amended (15 U.S.C. Sec. 1602(aa)).

30 (4) Hold itself out to borrowers, through advertising, as a  
31 mortgage broker, rather than a residential mortgage lender.  
32 However, a licensee shall disclose its status as a broker or agent  
33 when that disclosure is required by law.

34 (5) Perform activity subject to Section 10131 of the Business  
35 and Professions Code, except activities authorized by this division.

36 (e) A mortgage loan originator may only provide brokerage  
37 services as an employee of a licensed residential mortgage lender.