

**Introduced by Committee on Banking and Financial Institutions
(Senators Correa (Chair), Berryhill, Block, Hill, Hueso, Roth,
Torres, and Vidak)**

February 25, 2014

An act to amend Sections 22109.2, 22109.3, 22109.5, 50142, 50143, and 50145 of the Finance Code, relating to mortgage loan originators.

LEGISLATIVE COUNSEL'S DIGEST

SB 1459, as introduced, Committee on Banking and Financial Institutions. Mortgage loan originators: educational requirements.

The California Finance Lenders Law and the California Residential Mortgage Lending Act define a mortgage loan originator as an individual who takes a residential mortgage loan application or offers or negotiates terms of a residential mortgage loan for compensation or gain. These laws require that mortgage loan originators be appropriately licensed and fulfill certain educational and other requirements.

This bill would increase the number of hours of approved education that an applicant for a mortgage loan originator license must complete from 20-22 and require that 2 of those hours be related to relevant California law and regulation. The bill would increase the number of hours of continuing education that a holder of a mortgage loan originator license must complete from 8 to 9 and require that one of those hours be related to relevant California law and regulation. The bill would specify certain tests that satisfy the requirement for a written test that an applicant for a mortgage loan originator must pass.

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

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

1 SECTION 1. Section 22109.2 of the Financial Code is amended
2 to read:

3 22109.2. (a) An applicant for a mortgage loan originator
4 license shall complete at least ~~20~~ 22 hours of education approved
5 in accordance with subdivision (b). The education shall include at
6 least the following:

7 (1) Three hours of instruction on federal law and regulations.
8 (2) Three hours of ethics, which shall include instruction on
9 fraud, consumer protection, and fair lending issues.
10 (3) Two hours of training related to lending standards for the
11 nontraditional mortgage product marketplace.
12 (4) *Two hours of training related to relevant California law*
13 *and regulations.*

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

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

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

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

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

36 SEC. 2. Section 22109.3 of the Financial Code is amended to
37 read:

1 22109.3. (a) An applicant for a mortgage loan originator
2 license shall pass a qualified written test developed by the
3 Nationwide Mortgage Licensing System and Registry and
4 administered by a test provider approved by the Nationwide
5 Mortgage Licensing System and Registry.

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

10 ~~(1)~~

11 (A) Ethics.

12 ~~(2)~~

13 (B) Federal law and regulation relating to mortgage origination.

14 ~~(3)~~

15 (C) State law and regulation relating to mortgage origination.

16 ~~(4)~~

17 (D) Federal and state law and regulation, including instruction
18 on fraud, consumer protection, the nontraditional mortgage
19 marketplace, and fair lending issues.

20 (2) *The following tests satisfy the requirements of this*
21 *subdivision:*

22 (A) *The National SAFE Test and the California component.*

23 (B) *The National SAFE Test with the Uniform State Content.*

24 (C) *The National SAFE Test and the Stand-Alone Uniform State*
25 *Test.*

26 (D) *Any other test approved by the Nationwide Mortgage*
27 *Licensing System and Registry that the Nationwide Mortgage*
28 *Licensing System and Registry deems to satisfy the SAFE Act's*
29 *qualified written test requirement.*

30 (c) Nothing in this section shall prohibit a test provider approved
31 by the Nationwide Mortgage Licensing System and Registry from
32 providing a test at the location of the employer of the applicant or
33 the location of any subsidiary or affiliate of the employer of the
34 applicant, or the location of any entity with which the applicant
35 holds an exclusive arrangement to conduct the business of a
36 mortgage loan originator.

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

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

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

6 (g) A licensed mortgage loan originator who fails to maintain
7 a valid license for a period of five years or longer shall retake the
8 test, not taking into account any time during which the individual
9 is a registered mortgage loan originator.

10 SEC. 3. Section 22109.5 of the Financial Code is amended to
11 read:

12 22109.5. (a) A licensed mortgage loan originator shall
13 complete at least ~~eight~~ *nine* hours of continuing education approved
14 in accordance with subdivision (b). The continuing education shall
15 include at least the following:

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

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

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

21 (4) *One hour of training related to relevant California law and*
22 *regulations.*

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

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

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

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

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

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

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

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

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

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

22 SEC. 4. Section 50142 of the Financial Code is amended to
23 read:

24 50142. (a) An applicant for a mortgage loan originator license
25 shall complete at least ~~20~~ 22 hours of education approved in
26 accordance with subdivision (b). The education shall include at
27 least the following:

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

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

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

33 (4) *Two hours of training related to relevant California law*
34 *and regulations.*

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

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

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

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

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

18 SEC. 5. Section 50143 of the Financial Code is amended to
 19 read:

20 50143. (a) An applicant for a mortgage loan originator license
 21 shall pass a qualified written test developed by the Nationwide
 22 Mortgage Licensing System and Registry and administered by a
 23 test provider approved by the Nationwide Mortgage Licensing
 24 System and Registry.

25 (b) (1) A written test shall not be treated as a qualified written
 26 test for purposes of subdivision (a) unless the test adequately
 27 measures the applicant’s knowledge and comprehension in
 28 appropriate subject areas, including the following:

- 29 ~~(1)~~
- 30 (A) Ethics.
- 31 ~~(2)~~
- 32 (B) Federal law and regulation relating to mortgage origination.
- 33 ~~(3)~~
- 34 (C) State law and regulation relating to mortgage origination.
- 35 ~~(4)~~
- 36 (D) Federal and state law and regulation, including instruction
 37 on fraud, consumer protection, the nontraditional mortgage
 38 marketplace, and fair lending issues.

39 (2) *The following tests satisfy the requirements of this*
 40 *subdivision:*

- 1 (A) *The National SAFE Test and the California component.*
- 2 (B) *The National SAFE Test with the Uniform State Content.*
- 3 (C) *The National SAFE Test and the Stand-Alone Uniform State*
- 4 *Test.*
- 5 (D) *Any other test approved by the Nationwide Mortgage*
- 6 *Licensing System and Registry that the Nationwide Mortgage*
- 7 *Licensing System and Registry deems to satisfy the SAFE Act's*
- 8 *qualified written test requirement.*
- 9 (c) Nothing in this section shall prohibit a test provider approved
- 10 by the Nationwide Mortgage Licensing System and Registry from
- 11 providing a test at the location of the employer of the applicant or
- 12 the location of any subsidiary or affiliate of the employer of the
- 13 applicant, or the location of any entity with which the applicant
- 14 holds an exclusive arrangement to conduct the business of a
- 15 mortgage loan originator.
- 16 (d) (1) An individual shall not be considered to have passed a
- 17 qualified written test unless the individual achieves a test score of
- 18 not less than 75 percent of correct answers to questions.
- 19 (2) An individual who fails the qualified written test may retake
- 20 the test up to three consecutive times, although at least 30 days
- 21 shall pass between each retesting.
- 22 (3) An applicant who fails three consecutive retests shall wait
- 23 at least six months before retesting.
- 24 (4) A licensed mortgage loan originator who fails to maintain
- 25 a valid license for a period of five years or longer shall retake the
- 26 test, not taking into account any time during which the individual
- 27 is a registered mortgage loan originator.
- 28 SEC. 6. Section 50145 of the Financial Code is amended to
- 29 read:
- 30 50145. (a) A licensed mortgage loan originator shall complete
- 31 at least ~~eight~~ *nine* hours of continuing education approved in
- 32 accordance with subdivision (b). The continuing education shall
- 33 include at least the following:
- 34 (1) Three hours of instruction on federal law and regulations.
- 35 (2) Two hours of ethics, which shall include instruction on fraud,
- 36 consumer protection, and fair lending issues.
- 37 (3) Two hours of training related to lending standards for the
- 38 nontraditional mortgage product marketplace.
- 39 (4) *One hour of training related to relevant California law and*
- 40 *regulations.*

1 (b) For purposes of subdivision (a), continuing education courses
2 shall be reviewed and approved by the Nationwide Mortgage
3 Licensing System and Registry. Review and approval of a
4 continuing education course shall include review and approval of
5 the course provider.

6 (c) Nothing in this section shall preclude any education course
7 approved by the Nationwide Mortgage Licensing System and
8 Registry that is provided by the employer of the mortgage loan
9 originator or an entity that is affiliated with the mortgage loan
10 originator by an agency contract, or any subsidiary or affiliate of
11 the employer or entity.

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

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

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

19 (2) May not take the same approved course in the same or
20 successive years to meet the annual requirements for continuing
21 education.

22 (f) A licensed mortgage loan originator who is an approved
23 instructor of an approved continuing education course may receive
24 credit for the licensed mortgage loan originator's own annual
25 continuing education requirement at the rate of two hours credit
26 for every one hour taught.

27 (g) A person who has successfully completed continuing
28 education requirements approved by the Nationwide Mortgage
29 Licensing System and Registry for any state other than California
30 shall be granted credit toward completion of continuing education
31 requirements in California.

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

36 (i) A person meeting the requirements of paragraphs (1) and (3)
37 of subdivision (b) of Section 50144 may correct any deficiency in

- 1 continuing education as established by rule or regulation of the
- 2 commissioner.

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