

AMENDED IN SENATE MARCH 28, 2014

SENATE BILL

No. 1459

**Introduced by Committee on Banking and Financial Institutions
(Senators ~~Correa (Chair)~~ Evans (Chair), Berryhill, Block, Correa,
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~~ *Financial* Code, relating to mortgage loan originators.

LEGISLATIVE COUNSEL'S DIGEST

SB 1459, as amended, 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, for the purpose of obtaining a mortgage loan originator license, that an applicant complete 2 of those hours be of approved education~~ 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, for purposes of continuing educational requirements for mortgage loan originators, that a licensee complete one of those hours be hour of continuing education~~ related to relevant California

law and regulation. The bill would specify ~~certain tests that satisfy a test deemed acceptable by the Nationwide Mortgage Licensing System and Registry~~ meets 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 ~~22~~ 20 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 and
13 regulations.

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

19 (c) Nothing in this section shall preclude any prelicensing
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) Prelicensing 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 prelicensing 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 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. 2. Section 22109.3 of the Financial Code is amended 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 *or otherwise deemed*
11 *acceptable* by the Nationwide Mortgage Licensing System and
12 Registry.

13 (b) ~~(1)~~—A written test shall not be treated as a qualified written
14 test for purposes of subdivision (a) unless the test adequately
15 measures the applicant’s knowledge and comprehension in
16 appropriate subject areas, including all of the following:

17 ~~(A)~~

18 (1) Ethics.

19 ~~(B)~~

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

21 ~~(C)~~

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

23 ~~(D)~~

24 (4) Federal and state law and regulation, including instruction
25 on fraud, consumer protection, the nontraditional mortgage
26 marketplace, and fair lending issues.

27 ~~(2) The following tests satisfy the requirements of this~~
28 ~~subdivision:~~

29 ~~(A) The National SAFE Test and the California component.~~

30 ~~(B) The National SAFE Test with the Uniform State Content.~~

31 ~~(C) The National SAFE Test and the Stand-Alone Uniform State~~
32 ~~Test.~~

33 ~~(D) Any other test approved by the Nationwide Mortgage~~
34 ~~Licensing System and Registry that the Nationwide Mortgage~~
35 ~~Licensing System and Registry deems to satisfy the SAFE Act’s~~
36 ~~qualified written test requirement.~~

37 (c) Nothing in this section shall prohibit a test provider approved
38 by the Nationwide Mortgage Licensing System and Registry from
39 providing a test at the location of the employer of the applicant or
40 the location of any subsidiary or affiliate of the employer of the

1 applicant, or the location of any entity with which the applicant
2 holds an exclusive arrangement to conduct the business of a
3 mortgage loan originator.

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

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

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

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

17 SEC. 3. Section 22109.5 of the Financial Code is amended to
18 read:

19 22109.5. (a) A licensed mortgage loan originator shall
20 complete at least ~~nine~~ *eight* hours of continuing education approved
21 in accordance with subdivision (b). The continuing education shall
22 include at least the following:

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

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

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

28 (4) One hour of training related to relevant California law and
29 regulations.

30 (b) For purposes of this section, continuing education courses
31 shall be reviewed and approved by the Nationwide Mortgage
32 Licensing System and Registry. Review and approval of a
33 continuing education course shall include review and approval of
34 the course provider.

35 (c) Nothing in this section shall preclude any education course,
36 as approved by the Nationwide Mortgage Licensing System and
37 Registry, that is provided by the employer of the mortgage loan
38 originator or an entity which is affiliated with the mortgage loan
39 originator by an agency contract, or any subsidiary or affiliate of
40 the employer or entity.

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

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

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

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

11 (f) A licensed mortgage loan originator who is an approved
12 instructor of an approved continuing education course may receive
13 credit for the licensed mortgage loan originator's own annual
14 continuing education requirement at the rate of two hours credit
15 for every one hour taught.

16 (g) A person who has successfully completed continuing
17 education requirements approved by the Nationwide Mortgage
18 Licensing System and Registry for any state other than California
19 shall be granted credit toward completion of continuing education
20 requirements in California.

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

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

29 SEC. 4. Section 50142 of the Financial Code is amended to
30 read:

31 50142. (a) An applicant for a mortgage loan originator license
32 shall complete at least ~~22~~ 20 hours of education approved in
33 accordance with subdivision (b). The education shall include at
34 least the following:

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

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

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

1 (4) Two hours of training related to relevant California law and
2 regulations.

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

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

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

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

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

25 SEC. 5. Section 50143 of the Financial Code is amended to
26 read:

27 50143. (a) An applicant for a mortgage loan originator license
28 shall pass a qualified written test developed by the Nationwide
29 Mortgage Licensing System and Registry and administered by a
30 test provider approved *or otherwise deemed acceptable* by the
31 Nationwide Mortgage Licensing System and Registry.

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

- 36 ~~(A)~~
- 37 (1) Ethics.
- 38 ~~(B)~~
- 39 (2) Federal law and regulation relating to mortgage origination.
- 40 ~~(C)~~

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

2 ~~(D)~~

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

6 ~~(2) The following tests satisfy the requirements of this
7 subdivision:~~

8 ~~(A) The National SAFE Test and the California component.~~

9 ~~(B) The National SAFE Test with the Uniform State Content.~~

10 ~~(C) The National SAFE Test and the Stand-Alone Uniform State
11 Test.~~

12 ~~(D) Any other test approved by the Nationwide Mortgage
13 Licensing System and Registry that the Nationwide Mortgage
14 Licensing System and Registry deems to satisfy the SAFE Act's
15 qualified written test requirement.~~

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

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

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

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

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

35 SEC. 6. Section 50145 of the Financial Code is amended to
36 read:

37 50145. (a) A licensed mortgage loan originator shall complete
38 at least ~~nine~~ *eight* hours of continuing education approved in
39 accordance with subdivision (b). The continuing education shall
40 include at least the following:

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

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

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

6 (4) One hour of training related to relevant California law and
7 regulations.

8 (b) For purposes of subdivision (a), continuing education courses
9 shall be reviewed and approved by the Nationwide Mortgage
10 Licensing System and Registry. Review and approval of a
11 continuing education course shall include review and approval of
12 the course provider.

13 (c) Nothing in this section shall preclude any education course
14 approved by the Nationwide Mortgage Licensing System and
15 Registry that is provided by the employer of the mortgage loan
16 originator or an entity that is affiliated with the mortgage loan
17 originator by an agency contract, or any subsidiary or affiliate of
18 the employer or entity.

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

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

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

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

29 (f) A licensed mortgage loan originator who is an approved
30 instructor of an approved continuing education course may receive
31 credit for the licensed mortgage loan originator's own annual
32 continuing education requirement at the rate of two hours credit
33 for every one hour taught.

34 (g) A person who has successfully completed continuing
35 education requirements approved by the Nationwide Mortgage
36 Licensing System and Registry for any state other than California
37 shall be granted credit toward completion of continuing education
38 requirements in California.

39 (h) A licensed mortgage loan originator who subsequently
40 becomes unlicensed shall complete the continuing education

1 requirements for the last year in which the license was held prior
2 to issuance of a new or renewed license.
3 (i) A person meeting the requirements of paragraphs (1) and (3)
4 of subdivision (b) of Section 50144 may correct any deficiency in
5 continuing education as established by rule or regulation of the
6 commissioner.

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