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OVERVIEW

Franklin American Mortgage Company (FAMC) will not purchase loans which are not compliant with the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (S.A.F.E. Act).

The S.A.F.E. Act was enacted on July 30, 2008, as part of the Housing and Economic Recovery Act (HERA) of 2008 implementing licensing and registration requirements for all mortgage loan originators and establishes a Nationwide Mortgage Licensing System (NMLS) for all mortgage loan originators. The S.A.F.E. Act specifically prohibits an individual from engaging in the business of a mortgage loan originator without first obtaining and maintaining annually a registration as a loan originator or a license and registration as a state-licensed loan originator and obtaining a unique identifier through the NMLS. The S.A.F.E. Act imposes a registration requirement for MLOs employed by federally regulated institutions and a licensing and registration requirement for MLOs employed by any institution that is not federally regulated.

The definitions, as provided by the S.A.F.E. Act, are listed below and are the minimum standards that all states must follow. States may pass legislation exceeding the minimum standards of the S.A.F.E. Act.

DEFINITIONS

Mortgage Loan Originator (MLO) is an individual who must be authorized (licensed/registered/sponsored) to do the following:

- Take a residential mortgage loan application; and
- Offer or negotiate terms of a residential mortgage loan for compensation or gain.

Until fully licensed and sponsored, only administrative or clerical tasks can be performed, including building relationships with third parties.

An individual is not an MLO if he or she:

- Performs purely administrative or clerical tasks (i.e., receives, collects, and distributes information for processing or underwriting and communicates with the consumer to obtain information necessary for processing or underwriting a residential mortgage loan) on behalf of an MLO;
- Performs only real estate brokerage activities and is licensed or registered as a real estate broker in accordance with applicable state law, unless the individual is compensated by the lender, mortgage broker, or other loan originator or by an agent of such lender/mortgage broker/other loan originator and meets the definition of mortgage loan originator; or
- Is involved solely in extensions of credit related to timeshare plans.

State Licensed Mortgage Loan Originator means any individual who is a loan originator and:

- Is not any employee of a depository institution, a subsidiary that is owned and controlled by a depository institution and regulated by a federal banking agency, or an institution regulated by the Farm Credit Administration (federally regulated institution);
- Is licensed by a state and registered as a loan originator with and maintains a unique identifier through, the NMLS; or
- Is employed by a credit union service organization (CUSO).

Registered Loan Originator means any individual who meets the definition of a loan originator and:

- Is an employee of a depository institution, a subsidiary that is owned and controlled by a depository institution and regulated by a federal banking agency or an institution regulated by the Farm Credit Administration (federally regulated institution); or
- Is registered with, and maintains a unique identifier through, the NMLS.

Residential Mortgage Loan is a loan primarily for:

- Personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling or residential real estate upon which is constructed or intended to be constructed.

NMLS Unique Identifier (NMLS ID) means a number or other identifier that:

- Permanently identifies a loan originator;
- Is assigned by protocols established by the NMLS and the federal banking agencies to facilitate electronic tracking of mortgage loan originators and uniform identification of and public access to the employment history of and the publicly adjudicated disciplinary and enforcement actions against mortgage loan originators; and
- Shall not be used for purposes other than those set forth in the S.A.F.E. Act.

NMLS REQUIREMENTS

The NMLS was created to provide uniform license applications and reporting requirements for state-licensed loan originators in addition to providing a comprehensive licensing and supervisory database. The NMLS's goals are to improve the flow of information to and between regulators, provide increased accountability and tracking of loan originators, streamline the licensing process, and provide consumers with free easily accessible information regarding employment history of, and publicly adjudicated disciplinary and enforcement actions against, loan originators.

The NMLS also establishes a means by which MLOs are required to act in the best interests of the consumer by facilitating responsible behavior and adhering to comprehensive training and examination requirements related to mortgage lending.

STATE MLO LICENSE APPLICATION, REGISTRATION, AND ANNUAL RENEWAL REQUIREMENTS

Any employee of a non-federally regulated institution or credit union service organization (CUSO) is prohibited from engaging in the business of loan origination without obtaining a state mortgage loan originator license through the NMLS, obtaining a unique identifier, and annually maintaining such license. Responsibility for compliance lies with both the MLO and the employing institution. Both the MLO and the employing institution must submit information to the NMLS for a state MLO license to be approved.

In addition, the following minimum criteria must be met for initial state MLO licensing.

Background Checks

MLOs must furnish fingerprints electronically for submission to the FBI and any governmental agency or entity authorized to receive such information for a state and national criminal history background check.

MLOs must also furnish personal history and experience, including authorization for system to obtain:

- An independent credit report obtained from a consumer reporting agency; and
- Information related to any administrative, civil, or criminal findings by any governmental jurisdiction.

Education

For initial state licensing, MLOs must complete 20 hours of NMLS-approved education, which must include at least the following:

- Three hours of federal law and regulations;
- Three hours of ethics, this shall include instruction on fraud, consumer protection, and fair lending issues;
- Two hours of training related to lending standards for the nontraditional mortgage product marketplace; and
- Twelve hours of undefined instruction on mortgage origination.

In addition, certain states may require MLOs to complete a state law specific course.

Testing

All MLOs are required to take the S.A.F.E. Mortgage Loan Originator Test, which is comprised of two parts, a national component and a state component:

- National Test with Uniform State Content – All state-licensed MLOs are required to pass the national component of the S.A.F.E. MLO Test. An MLO must answer correctly no less than 75% of the test questions.

- State Component – All state-licensed MLOs are required to pass a state component of the S.A.F.E. MLO test for each state in which they hold, or wish to obtain, an MLO license. An MLO must answer correctly no less than 75% of the test questions.

Employee Authorization/Attestation

The MLO is required to authorize the NMLS and employing institution to obtain information related to sanctions or findings and to attest to the accuracy of all required information submitted on behalf of the employee. The MLO Authorization/Attestation must be completed in order for the registration to be processed.

Issuance of a License and Annual Requirements to Maintain License

The employing institution is responsible for submitting a sponsorship request through the NMLS once the MLO application has been sent. There may be a sponsorship fee, depending on state requirements. An MLO may not engage in loan origination activity until the applicable state agency has accepted the employing institution's sponsorship request.

A license will not be issued until the applicant has met the following minimum standards:

- The applicant has never had a loan originator license revoked in any governmental jurisdiction;
- The applicant has not been convicted of, or pled guilty or nolo contendere to, a felony in a domestic, foreign, or military court during the seven-year period preceding the date of the application for licensing and registration; or at any time preceding the date of the application, if such felony involved an act of fraud, dishonesty, or a breach of trust or money laundering;
- The applicant has demonstrated financial responsibility, character, and general fitness such as to command the confidence of the community and to ensure a determination that the MLO will operate honestly, fairly, and efficiently throughout the loan process; and
- The applicant has met either a net worth or surety bond requirement, or paid into a state fund, as required by the applicable state.

Annual State License Renewal Requirements

The minimum standards for license renewal for state licensed MLOs are as follows:

- Continuing education consisting of at least:
 - Three hours of federal law and regulations;
 - Two hours of ethics that shall include instruction on fraud, consumer protection, and fair lending issues;
 - Two hours of training related to lending standards for the nontraditional mortgage product market; and
 - One hour of undefined instruction on mortgage origination.
- Continuing to meet the minimum standards for license issuance, including, but not limited to, the annual submission of FBI background check and credit report.

FAILURE TO COMPLY WITH SAFE ACT REQUIREMENTS/STATE REQUIREMENT

Consumer Access

An MLO and the employing institution must ensure that the consumer has access to the originator's unique identifier. The consumer can access the originator's unique identifier through the NMLS Consumer Access website at <http://www.nmlsconsumeraccess.org>.

MLOs must provide their unique identifier to consumers:

- Upon request;
- Before acting as an MLO;
- Through their initial written communication with a consumer, whether on paper or electronically.

MLOs EMPLOYED BY FEDERALLY REGULATED INSTITUTIONS

Any employee of a federally regulated institution is prohibited from engaging in the business of loan origination without registering through the NMLS, obtaining a unique identifier, and annually maintaining such registration. Responsibility for compliance lies with both the MLO and the employing institution. Both the MLO and the employing institution must submit information to the NMLS for registration to be approved.

In addition, the following minimum criteria must be met for MLO registration and annual renewal:

Background Checks

- Fingerprints for submission to FBI and any government agency or entity authorized to receive such information for a state and national criminal history background check.
- Personal history and experience including authorization for the NMLS to obtain information related to any administrative, civil, or criminal findings by any governmental jurisdiction.

Employee Authorization/Attestation

- The MLO is required to attest to the accuracy of all required information submitted to the NMLS.
- At the time the NMLS determines all required information has been submitted and all requirements have been met, a notification of such will be sent electronically to the registrant.

Annual Federal Registration Renewal Requirements

- Registration will renew annually from November 1st through December 31st, regardless of when the initial registration occurred;

- Renewal will confirm information previously submitted remains accurate and complete, updating information as appropriate;
- If not renewed, registration will become inactive and individual is prohibited from acting as a mortgage loan originator until registration requirements are met;
- Registration must be updated within 30 days of the occurrence of any of the following events:
 - Change in employee's name;
 - Registrant ceases to be an employee of the institution; or
 - Any of the employee's responses to the information required for registration becomes inaccurate.

PROCEDURES

Federal and state S.A.F.E. Act requirements apply to all conventional, government, and nontraditional loans.

All government-sponsored enterprises (GSEs) and the Department of Housing and Urban Development (HUD) require valid NMLS IDs for all loans delivered.

Validation of NMLS ID

FAMC validates the NMLS ID provided on loan documents using the NMLS. Validation includes but is not limited to the following:

- Validating the NMLS ID to ensure that the ID matches the originator name using the NMLS consumer access website at www.nmlsconsumeraccess.org;
- Ensuring the 1003 application date is not prior to the MLO's original license or registration date;
- Ensuring the company and originator are authorized to conduct business in the property state;
- Ensuring the originator is authorized to represent the institution listed on loan documents;
- Ensuring the company NMLS ID matches the NMLS consumer access website records;
- Ensuring the 1003 application date is not prior to institution's original license or registration date.

Exceptions: State regulated loan origination companies that are licensed to conduct business solely in the states of Delaware and Missouri are currently not required to obtain a unique company identifier through the NMLS. In lieu of the NMLS ID, FAMC will require the appropriate Agency Assigned Code to be reflected in the Loan Origination Company Identifier field on the 1003. The appropriate Agency Assigned Codes are as follows:

- 1001 – Delaware properties
- 1003 – Missouri properties

The borrower must be informed that the Agency Assigned Code is not a verifiable NMLS ID since the states of Delaware and Missouri do not require a company NMLS ID.

NOTE: State regulated loan origination companies licensed in multiple states continue to require a unique company identifier issued through the NMLS.

Loan Level Origination Data Requirements

FAMC requires both the NMLS IDs for the loan origination company and the MLO on all loans purchased by FAMC.

The Uniform Residential Loan Application (Form 1003) must have all sections completed as detailed below upon submission of the loan file to FAMC.

Loan Originator's Signature X		Date
Loan Originator's Name (print or type)	Loan Originator Identifier	Loan Originator's Phone Number (including area code)
Loan Origination Company's Name	Loan Origination Company Identifier	Loan Origination Company's Address

SECTION	PROCEDURE
Loan Originator Name	Name of the MLO originating the loan. Must match the exact name or the a/k/a on file of the MLO in NMLS records.
Loan Originator Identifier	Unique NMLS & MLO ID number
Loan Origination Company Name	Name of the company originating the loan. Must match the exact name of the company as documented in NMLS records.***
Loan Origination Company Identifier	Unique company NMLS ID number. Note: If company has multiple locations, then the NMLS ID number must be for the corporate office. FAMC will not accept branch NMLS numbers on any loan documents.***
Loan Origination Company Address	Branch address where the loan was originated.

*** The loan origination institution is the institution the MLO is employed by or is representing as an independent contractor. If an MLO, within the scope of his or her employment, originates loans for sister institutions within the same holding company structure, the MLO would only need to register with the institution that employs the MLO.

PURCHASE ELIGIBILITY

Correspondents must ensure all third-party originated and retail business sold to FAMC meets all federal and state S.A.F.E. Act requirements as well as GSE requirements. Loans that do not contain the required information or that contain inaccurate information are not eligible for purchase by FAMC.

CHANGING MLOs DURING LOAN PROCESS

In situations where the originating MLO has left the company and the MLO changes during the loan process, the new MLO must be licensed at the time of application.

The following is required anytime an MLO changes during the loan process:

- A signed and dated Borrower Certification acknowledging the change for MLO and listing the reason for change;
- The lender/broker must provide a revised 1003 signed by the new MLO that includes the new MLO's NMLS ID number. The revised 1003 must be dated to reflect the date the new MLO assumed responsibility for the origination;
- All initial disclosures must be re-disclosed to reflect the name and NMLS # of the new MLO;
- Attestation from the lender/broker is required if any corrections (strike outs or additions) were made to the 1003; and
- The initial 1003 must remain in the loan file, and the original application date does not change and is the date used for HMDA reporting purposes.
- If a Closing Disclosure (CD) has been delivered and/or acknowledged but the loan has not closed, the revised CD can be given at the closing with the new LO information listed. No new waiting period is required.
- If the LO leaves between the closing and funding of the loan, no new disclosures are given or required.

ADDITIONAL RESOURCES

- [Secure and Fair Enforcement for Mortgage Licensing Act](#)
- [NMLS Resource Center](#)
- [Federal Registration](#)