



Notice

NMLS – Instructor Eligibility Policy

April 26, 2016

The intent of this notice is to inform NMLS approved course providers and industry of a policy that has been approved by the Mortgage Testing Education Board (MTEB) and the NMLS Policy Committee, regarding the eligibility of instructors to teach NMLS approved courses. NMLS approved courses are those courses which must be completed by Mortgage Loan Originators (MLOs) as a condition to either acquire or maintain a license.

Purpose of the Instructor Eligibility Policy

The purpose of the Instructor Eligibility Policy is to address a situation where course providers have made arrangements with corporate clients to “certify” an employee of the client as an instructor. The “certified” instructor then teaches the course provider’s course(s) and the course provider then reports the completed education to SRR. The practice of “certifying” instructors raises several concerns:

1. Using an employee of a client company to instruct a provider’s course(s) raises issues of conflict of interests and creates an opportunity for courses or content to be delivered in a way not intended or approved.
2. Examinations of course providers have revealed that when this practice exists, the providers maintain little or no direct oversight of the delivery of the education being offered at client locations.
3. The employment of instructors not under direct control of the course provider creates accountability problems and undermines the ability for SRR to uniformly enforce the Standards of Conduct for Course Providers and other policies, and poses a risk to the integrity of the mortgage education program.

Background

SRR staff became increasingly aware of the practice of certifying client employee instructors through on-sight course exams conducted throughout 2015. Multiple exams revealed that the majority of cases where a client instructor is employed, the approved course provider was not present at the client’s location and that courses were being delivered in a manner inconsistent with NMLS policies.

In January 2016, the Mortgage Testing and Education Board (MTEB)¹ voted to adopt the

¹ Created in 2009 by the SRR Board of Managers, the MTEB is comprised of at least nine state regulators representing each of the five CSBS Districts and at least one AARMR representative. The MTEB performs an



STATE REGULATORY REGISTRY LLC

State Regulatory Registry LLC (SRR) operates as a nonprofit affiliate of the Conference of State Bank Supervisors (CSBS) responsible for developing and operating NMLS on behalf of participating state financial services regulatory agencies.

Instructor Eligibility Policy after SRR staff made the board aware of several problems it had discovered as a result of course examinations. Upon the recommendation of the MTEB, in March 2016, the NMLS Policy Committee² voted to adopt the Instructor Eligibility Policy.

NMLS Instructor Eligibility Policy

The NMLS Instructor Eligibility Policy defines who may be employed by an NMLS-approved course provider as an instructor:

The individual teaching an NMLS-approved course is required to be an independent contractor or an employee of the organization NMLS has approved to be a course provider. A course provider may not hire or contract with in any manner - regardless of whether there is compensation or not - an individual who is an employee or contractor of a client company or an affiliate company.

Effective Date

This policy is effective May 30, 2016.

appellate role as necessary for investigations and provides guidance and recommendations to the SRR staff, the NMLS Policy Committee and the SRR board of Managers.

² To assist it in making decisions and handling operational matters, the SRR Board of Managers created the NMLS Policy Committee (NMLSPC) which is comprised of 11 state regulators. The NMLS Policy Committee provides SRR a mechanism to make policy decisions for NMLS with regards to its impact on meeting state licensing regulations. Decisions are made after considering input from NMLS Participating State Agencies, licensees and industry. The roster of the NMLSPC can be found at <http://mortgage.nationwidelicensingsystem.org/about/Documents/2015%206%201%20NMLS%20POLICY%20COMMITTEE%20LIST.pdf> .