Purpose

The purpose of this document is to identify the pre-licensure (PE) and continuing education (CE) topics NMLS has determined will satisfy the education requirements of the SAFE Act. This document also identifies specific topics that are required to be covered as part of annual CE. The required topics for CE are updated annually.

Background and Reason for this Document

In accordance with the SAFE Act, as a condition for acquiring a state-issued MLO license, individuals are required to complete 20 hours of pre-licensure education which shall include 3 hours of Federal Law, 3 hours of Ethics (which shall include fraud, consumer protection, and fair lending), 2 hours of Non-Traditional Mortgage Lending, and 12 hours of undefined education (electives). As a condition to maintain a state-issued MLO license, MLOs are required to complete 8 hours of annual continuing education which shall include 3 hours of Federal Law, 2 hours of Ethics (which shall include fraud, consumer protection, and fair lending), 2 hours of Non-Traditional Mortgage Lending, and 1 hour of undefined education (elective). In addition to the required hours as identified in the SAFE Act, state agencies can also establish additional requirements. An initial version of this document was published to industry in April 2009, and was amended in 2012, and just included approved and not approved topics. Topics were not identified as being more suitable for PE or CE. This version of the document segments the topics by PE and CE and is intended to help reduce situations where CE is duplicative of PE. It is also intended to align with the new expanded test content outline. Topics have also been included which we believe will help to better inform individuals who are new to the industry of the phases of the mortgage lending process, the role of a mortgage loan originator (MLO), and how various laws and the MLO support consumer protection.

The approved topic list, especially the PE section, includes a significant number of topics and sub-points. We recognize it would be a challenge for any course provider to provide instruction on every point in 20 hours. Accordingly, as a condition for course approval not every topic is required to be included in course content. That said, this document does align with the expanded test content outline and there is an expectation that individuals taking and passing the MLO SAFE Test will possess sufficient knowledge on each of the published topical areas.

In coordination with state regulators and the Multi-State Mortgage Committee (MMC), annual continuing education is required to include specific topics that have been identified as reoccurring problems on mortgage exams. It is the view of NMLS that one of the intentions of the CE requirement of the SAFE Act was to ensure MLOs stay current on issues pertaining to the accepting and negotiating terms of a residential loan application. The topics listed as “required” will need to be covered in the designated calendar year. NMLS is not defining how much time must be spent on each of the required topics nor is it envisioned that the topics will consume the full two or three hours of ethics or federal law. However, with the continued input of state regulators and the
MMC, the topic list will be refreshed during the first quarter of every year and the new topics will be required to be instructed the following year (for example, topics have been identified in the 2021 version of this document are for instruction in 2021; during the first quarter of 2021 new topics will be published for instruction in 2022).

**Topic List Quick Links:**

**Pre-licensure Education (PE) Topic List:**

The Course Provider Working Group (CPWG) reviewed the PE topic list on April 18, 2017; the Mortgage Testing and Education Board (MTEB) reviewed and approved the list on April 20, 2017.

**Continuing Education (CE) topic list for Annual CE Year 2021:**

The Course Provider Working Group (CPWG) reviewed the CE topic list on December 12, 2019; the Mortgage Testing and Education Board (MTEB) reviewed the list on December 20, 2019. The required topics are for CE to be delivered between January 1 and December 31, 2021.

**Continuing Education (CE) topic list for Annual CE Year 2022:**

The Course Provider Working Group (CPWG) reviewed the CE topic list on January 26, 2021; the Mortgage Testing and Education Board (MTEB) reviewed the list on March 18, 2021. The required topics are for CE to be delivered between January 1 and December 31, 2022.
PRE-LICENSED EDUCATION (PE) TOPIC LIST

Overview of Mortgage Lending –

- History of the mortgage industry
  - Start of the mortgage industry
  - Events which led to the implementation of the federal laws and need for consumer protection. Role of the Mortgage Loan Originator in consumer protection.

- The positions in the mortgage industry and their roles
  - Definition, job description, and roles of: Mortgage Loan Originator (MLO), Mortgage Broker, Mortgage Banker, Registered Mortgage Loan Originator (RMLO), mortgage lender/funder, mortgage investor, mortgage servicer, mortgage underwriter, mortgage examiner, mortgage regulator.

Regulatory Authority Who Oversee the Mortgage Industry -

- Consumer Financial Protection Bureau (CFPB)
  - Federal oversight of the CFPB
  - Functions performed by the CFPB
  - CFPB oversight authority
  - Filing complaints with CFPB

- Department of Housing and Urban Development (HUD)
  - Primary function of HUD
  - Programs offered by HUD
  - Number of housing agencies required to be listed on the housing counseling disclosure
  - Types of loans that trigger the requirement for a counseling agency to consult with a borrower
  - Entities that HUD oversees
  - Fair Housing Law Protections (e.g., health status, etc.)

Federal Mortgage-Related Laws – Topics intended to satisfy the 3 hours of Federal Law

- Real Estate Settlement Procedures Act (RESPA), 12 CFR Part 1024 (Regulation X)
  - RESPA origins and purpose
  - Knowledge of the prohibitions, limitations and exemptions set by RESPA
  - Types of loans to which RESPA is applicable
  - Settlement services
  - Required disclosures to the customer for an MLO who is also a broker
  - Bona fide discount points and application during a mortgage loan origination
  - Required information from a borrower that must be included on an application (Regulation X)
  - Knowledge of third party settlement service providers
  - Overview of the foreclosure process
  - Initial escrow statements
Changes that can be made to the HUD-1/Good Faith Estimate
Issuing a Good Faith Estimate when not all information has been provided

- **Equal Credit Opportunity Act (ECOA), 12 CFR Part 1002 (Regulation B)**
  - Factors that cannot be used to discriminate
  - Notifying borrower of action taken
  - General permissible acts under the Equal Credit Opportunity Act
  - Circumstances when it is acceptable to deny credit/loan
  - Components of a “notice of adverse action”
  - Definition of “adverse action”
  - General provisions of Regulation B
  - Exceptions to providing the appraisal report
  - “Prohibited Factors”
  - Required disclosures when an application is denied
  - Acceptable terms used to describe marital status
  - Adverse action notice, including when multiple applicants/guarantors are on the loan request
  - Definition of “elderly”
  - “Disparate treatment” scenarios
  - Record retention timelines
  - Requirement for a co-signer
  - Factors considered when determining creditworthiness
  - Types of acceptable income considered in a loan review
  - Requests for missing application information
  - Adverse action scenarios
  - Information required on a loan application
  - Adverse action characteristics
  - Timeframe for sending an adverse action to an applicant
  - Actions an MLO should take when a borrower refuses to provide ethnic, race or gender information

- **Truth-in-Lending Act (TILA), 12 CFR Part 1026 (Regulation Z)**
  - “Notice of right to rescind”
  - Permissible fees and finance charges
  - Advertisement requirements
  - Knowledge of the core concepts of the Truth-in-Lending Act
  - Total points and fee threshold
  - Definition of “finance charge”
  - Definition of “annual percentage rate”
  - Loans covered by the Truth-in-Lending Act
  - Definition of “business day”
Permissible annual percentage rate tolerances
- Definition of “dwelling”
- Definition of “residential mortgage loan”
- Definition of “business day” in a mortgage rescission
- Record retention timeframes
- Classifying “seller contributions”
- Refinancing scenarios with rights to rescind certain types of transactions

- **Home Ownership and Equity Protection Act – High-Cost Mortgage, HOEPA Sections 32 and 12 CFR Part 1026**
  - Minimum term for a balloon payment
  - Examples of “covered loans”
  - What is allowed under HOEPA
  - Limitations on broker fees
  - Entity that enforces HOEPA
  - Types of loans/lines of credit subject to HOEPA

- **Higher Priced Mortgage Loans (12 CFR 1026.35)**
  - Definition of “high priced/cost mortgage”
  - Prohibitions within “high priced” mortgages
  - Refinance mortgage loans

- **Loan Originator Compensation (12 CFR 1026.36(d))**
  - MLO compensation basis
  - The rules for who may compensate an MLO

- **TILA-RESPA Integrated Disclosure Rule (TRID) (a.k.a “Know Before You Owe”)**
  - Prohibitions on discrimination
  - Disclosure timeframes
  - Section on disclosure where origination charges are reflected
  - Affiliated Business Disclosure Special Information Booklet
  - Borrower information included on Regulation Z
  - Record retention
  - Required disclosures
  - Timing of disclosures provided to an applicant
  - Types of permissible fees and finance charges
  - Circumstances under which a Loan Estimate may be amended
  - General information about the TILA-RESPA Disclosure Rule
  - Examples of “change of circumstance”
  - Borrower information that is included on an application
  - Information that must be disclosed to consumers upon request
  - Explanation of an annual percentage rate
  - Party required to provide the Loan Estimate
o Types of loans covered under TILA
o Actions an MLO must take when there is incomplete information on a TRID disclosure
o Scenario violations of TRID
o A borrower’s right to rescission
o Definition of loan consummation
o Information that must be disclosed on a Loan Estimate
o Facts about Loan Estimate
o Informing a borrower of other loan considerations
o Charges/fees disclosed
o Information included on a Closing Disclosure
o Information that must be disclosed in an annual escrow statement
o Acceleration definition
o The right to receive an appraisal report

- **Home Mortgage Disclosure Act (HMDA), 12 CFR Part 1003 (Regulation C)**
  o Mortgages in reportable data
  o HMDA definition of “dwelling”
  o Information included in borrower data
  o Information that a borrower must include on an application
  o Information about which an MLO should not inquire
  o Information provided by the borrower regarding the right of refusal

- **Fair Credit Reporting Act (FCRA)/Fair and Accurate Credit Transactions Act (FACTA) 15 USC § 1681 et seq.**
  o Definition of a “fraud alert”
  o Information included in a “consumer report”
  o Permissible times when a credit report may be accessed
  o Requirement to develop policies and procedures regarding identity theft
  o Definition of “creditor”
  o Information included in a FACTA disclosure
  o Length of time a bankruptcy will show on a credit history
  o Credit score evaluation methods

- **FTC Red Flag rules, 16 CFR Part 681**
  o Parties subject to “red flag” rules
  o Enforcement authority for “red flag” rules

- **Bank Secrecy Act/Anti-Money Laundering (BSA/AML)**
  o Requirement that companies protect consumer information
  o Facts about Suspicious Activity Reports (SARs)
  o Circumstances that require filing a SAR
  o SAR privacy requirements
- **Gramm-Leach-Bliley Act (GLB)** – Privacy, FTC Safeguard Rules and Do Not Call
  - Non-public information regarding a customer.
  - Permissible use of non-public information regarding a customer.
  - Purpose of Act.
  - Requirement for written privacy policy disclosures.
  - Acceptable delivery methods for a privacy notice.
  - Permissible hours for telephone calls.
  - Written policies for maintaining Do-Not-Call lists.
  - Precautions to protect customer information.
  - Purpose of the National Do-Not-Call Registry.
  - Permissible solicitation scenarios.
  - Do-Not-Call request.
  - Retention of information after a solicitation.

- **Mortgage Acts and Practices** – Advertising, 12 CFR Part 1014 (Regulation N)
  - Advertisements referring to specific credit terms.
  - Length of time required to retain advertisements.
  - Information required to be included in an advertisement.
  - Triggering terms that require additional disclosure.
  - Violations of the Act.

- **Electronic Signature in Global and National Commerce Act (E-SIGN Act)**
  - Required ESIGN disclosures.
  - Borrower’s consent regarding access to information in electronic format.
  - Requirements for maintaining records in electronic format.
  - Ways to verify a borrower’s identity.

- **USA PATRIOT Act**
  - Primary purpose of the Act.
  - Major functions of the Act.
  - Confidential nature of filing reports.
  - Ways to verify a borrower’s identity.
  - Parties subject to the Act.
  - Requirement to have a Customer Identification Program in place and verifying the identities of borrowers.

- **Homeowners’ Protection Act (Private Mortgage Insurance (PMI) Cancellation Act)**
  - Major functions of the Act.
  - Documents that must be provided to a borrower at loan consummation.

- **Dodd-Frank Act**
  - Re-financing situations.
  - Law oversight over TRID.
Independent appraisal requirements

**Loan Origination Activities** – Topics intended to satisfy the hours of education not specific by the SAFE Act.

**Terms used in the mortgage industry**

- Loan terms
  - Junior liens
  - Subordinate loans
  - Escrow accounts
  - High priced mortgages
  - Table funding
  - Rate lock agreement
  - Tolerances
  - Legal title granted via a mortgage
  - Types of mortgages a lender cannot be forced to repurchase
  - Facts on liens
  - Delinquent loan
  - High cost loans
  - Early payment default

- Disclosure terms
  - Yield spread premiums
  - High interest rates
  - Federal mortgage loans
  - Qualified mortgage
  - Servicing transfers
  - Lender credits

- Financial terms
  - Discount points
  - 2-1 Buy-down
  - Accrued interest
  - Loan-to-value ratio
  - Settlement
  - Finance charges
  - Loan discount point
  - Debt ratio
  - Daily simple interest
  - Premium pricing
  - Lender credit

- General terms
• Subordination
• Conveyance
• Cash out refinance
• Pre-paids
• Underwriting
• Secondary market
• Third party providers
• Primary mortgage market
• Non-traditional mortgages
• Consumer credit
• Loan payment collection
• Assumable loan
• Examples of origination service
• Assigned loan
• Payment shock
• Annual Percentage Rate (APR)
• Average Prime Offer Rate (APOR)

**Loan Inquiry and Application Process Requirements (1003)**

- Loan Requirements
  - Information on Form 1003
  - Percentage of bank account assets attributable toward a loan application
  - Handling credit
  - Report discrepancies
  - Acceptable gift donors
  - Information provided to a borrower in response to a loan inquiry

- Loan Inquiry Process
  - Required disclosures that must be provided to a borrower in response to a loan inquiry
  - Application accuracy and required information on an application (e.g., name, SSN, address of property to be financed, estimated property value, income, loan amount)
  - Permissible questions on an application

- Application Process
  - Questions on a Borrower Application
  - How MLOs accept loan applications
  - Offering and negotiating the terms of a loan
  - How MLOs manage information on an application
  - Service charges subject to 10% tolerance

- Verification and documentation
  - Forms used to authorize the release of information
NMLS Policy on Approved and Not Approved Topic List for Pre-Licensure and Continuing Education V2020.0

- Methods of verifying income and assets
  - Percentage of bank account assets attributable toward a loan application
- Methods of verifying employment
- Suitability of products and programs
  - Reflecting the type of loan on a mortgage application
- Disclosures
  - Information included in the Truth-in-Lending disclosure
  - Disclosures on Loan Estimates
  - Adjustable-rate mortgage loan disclosures
  - Consumer Handbook on ARMs (Charm booklet)
  - Required disclosures
  - Reverse mortgages
- Accuracy (e.g., tolerances)
  - Scenarios and which allowable tolerance
  - Service charges subject to a 10% tolerance
- Timing
  - Timing of notification of action taken
  - Timing of early disclosures
- Loan Estimate
  - Timeline of when a Loan Estimate must be provided
  - Expiration of charges and terms in a Loan Estimate expire
  - Time from Loan Estimate to loan consummation
  - Exceptions to providing the Loan Estimate
  - Reissuing a Loan Estimate
  - Time period for the delivery of the Affiliated Business Disclosure
  - Time period for the delivery of the Special Information Booklet (Know Before You Owe)
  - Timeframe for the consideration for settlement charge before the expiration
  - Timing of the reissuing Loan Estimates
  - Timeline of the initial Loan Estimate disclosure
  - Timing of providing the appraisal report
  - Timing of tolerance corrections
- Sending a list of counseling services
  - Shopping
- Valid reasons for a Change in Circumstance
- Delivery Method
  - Electronic
  - Face-to-Face
  - Standard Mail
Overnight Delivery

Closing Disclosure
- When applicants entitled to advance inspection of a closing
- Initial Closing Disclosure
- Timing of Disclosures
- Final Closing Disclosure
- Timeframe of providing an updated closing disclosure
- Definition of a business day for delivery purposes

Homeownership Counseling Disclosure

Loan Qualification Requirements, Processing, and Underwriting

Borrower analysis

Assets
- Acceptable assets that may be used for a down payment
- Types of asset classifications
- Assets permissible to be used toward reserve funds
- Actions not permitted with respect to Verification of Deposits

Liabilities
- Liabilities listed on a loan application
- Types of liabilities

Income
- Documentation required for a self-employed applicant
- Utilizing capital gains income on an application
- Types of applicable incomes types for loan qualification
- Social security and/or disability income that may be applied toward a loan analysis or as qualifying income
- Documentation of work history and income when there has been an absence in employment over 3 years
- Calculating monthly income

Credit report
- Information included on a credit report
- Factors used in determining a credit score

Qualifying ratios
- Definition of “capacity”
- Factors when calculating the expense-to-income ratio
- Loan to value ratios
- Calculating the debt-to-income ratio
  - Calculating the housing to income ratio
  - Calculating the total debt ratio
• Ability to Repay
  o Factors taken into consideration when reviewing an applicant’s ability to repay a loan
  o Methods of verifying income/assets
  o Determining a borrower’s ability to repay
  o Allowable debt to income ratio at loan consummation
  o Safe harbor provisions and scenarios
  o Ability to repay scenarios
• Tangible net benefit
• Occupancy types
• Verification of Deposit scenarios
• Appraisals
  o Purpose of appraisals
  o Market approach
  o Income approach
  o Cost approach
  o Market data approach
  o Using comparable information to establish values
  o Requirement/timeline to inform applicant of the right to receive an appraisal
  o Facts on appraisals
  o Definition of “appraisal”
  o Appraisal requirement with a high-risk mortgage
  o Definition of “apraiser”
• Title report
  o Obtaining title reports
  o Timing of title reports and commitments
  o Preliminary Title Reports Cost approach
• Insurance
  o Flood Insurance
  o Designates zones for flood insurance
  o Limits of flood insurance
• Private Mortgage Insurance
  o Purpose of private mortgage insurance
  o Benefits of private mortgage insurance
  o Facts on private mortgage insurance and ratios
  o Requirement guidelines to ending private mortgage insurance
  o Loan to value ratio that triggers private mortgage insurance
• Hazard/Homeowner Insurance
  o Forced-placed insurance
Closing

- Title and title insurance
  - Title insurance coverage
  - Priority in multiple mortgage scenarios
  - Definition of “easement”
  - Encumbrances
  - Reconveyance
- Settlement/Closing agent
  - Borrower/Seller’s ability to review the HUD-1 Settlement Statement
  - Eligible signatures on the security instrument
  - Use of a Power of Attorney (POA)
- Explanation of fees
  - Fees/charges listed on HUD-1 Settlement Statement
  - Title insurance fees
  - Pre-paid fees
  - Types of escrow expenses
  - Examples of Origination fees
  - Loan origination fees
- Explanation of documents
  - Required documents at a closing
  - Required documents when using a property as collateral
  - Note disclosures on a loan
  - Assumption clauses
  - Providing the escrow analysis statement
- Funding
  - When does a rescission period end?
  - Funding regarding rescission periods

Financial Calculations/Mortgage Math/ APR

- Periodic Interest
  - Interest rate calculation scenarios
  - General facts
  - Interests per diem facts
- Payments
  - Calculation scenarios for mortgage insurance
  - Calculation scenarios for interest rates
  - Calculation scenarios for monthly payments
  - Calculation scenarios for loan amounts
• Effect of escrow on mortgage
• Order of payments and importance of payments to the underwriting of loan
• Closing Disclosure information
• Down Payments
  • Calculating down payment amounts/percentages
• Loan-to-value ratios
  • Loan-to-value ratio calculation scenarios
• Debt-to-income ratios
  • Debt ratio calculation scenarios
  • Factors in calculating debt ratios
• Discount Points: Fixed interest rate buy-downs
  • Permanent note
  • Definition of “discount point”
  • Discount point calculation scenarios
  • Purpose of discount points
• Closing costs and prepaid items
  • Closing costs/pre-paid items calculation scenarios
  • Hazard insurance collection
• ARMs (e.g., fully indexed rate)
  • Interest rate adjustment calculation scenarios
  • Payment adjustment calculation scenarios
• Qualified Mortgage monthly payment calculations
  • Calculating the debt to income ratio

Traditional and Non-Traditional Mortgage Products – Topics intended to satisfy the 2 hours of Non-Traditional Mortgage Lending
• Conventional/conforming (e.g., Fannie Mae, Freddie Mac)
  • Responsibilities of Fannie Mae
  • Limits on closing cost concessions
  • Fee charges on loans with certain risk characteristics
  • Fannie Mae/Freddie Mac’s automated underwriting systems
  • Requirements when purchasing a non-owner occupied rental property
  • Acceptable down payment amounts
  • Hazard insurance requirements
  • Pre-payment requirements
• Government (e.g., FHA, VA, USDA)
  • Definition of “FHA Mortgage”
  • Facts about FHA loans
  • Definition of “FHA”
o Facts about VA loans
o Prohibition on mortgage insurance
o FHA interest rate calculation scenarios
o Types of government guarantors
o Definition of “entitlement”
o Certificate eligibility requirement
o Acceptable funds for a down payment/closing costs
o Properties eligible for FHA purchase transactions
o FHA loan limits
o VA funding fees
o Upfront mortgage insurance premiums
o Residual income qualification test
o Required documentation
o Monthly mortgage insurance payment scenarios
o Minimum down payment for an FHA loan

• Conventional/nonconforming (e.g., Jumbo, Alt-A)
  o Facts on “jumbo loans”
  o Definition of “non-conforming” loan
  o Examples of “non-traditional loans”
  o Requirements for an escrow account associated with a “high priced loan”
  o Requirements for an escrow account associated with a “high cost loan”
  o Statement on Subprime Lending
    ▪ Definition of “payment shock”
    ▪ Definition of “subprime”
    ▪ Characteristics of ARM loans
    ▪ Definition of a debt-to-income ratio assessment
    ▪ Examples of credit risk characteristics
    ▪ Scenarios to determine when a balloon loan may be appropriate for a borrower
    ▪ Characteristics of subprime borrowers
    ▪ Characteristics of a subprime mortgage
      Stated income loans
      Non-income verifying loans

• Guidance on Nontraditional Mortgage Product Risk
  o Characteristics of a non-traditional mortgage loan
  o Risks of non-traditional mortgage products
  o Re-payment capacity of a borrower
  o Identifying the right non-traditional mortgage product for borrowers
  o Communications with consumers regarding non-traditional mortgage products
• Qualified and Non-Qualified Mortgage Programs
  o Features of a “qualified mortgage”
  o Allowable points and fees for qualified mortgages
  o Information used to determine whether a loan is “qualified”
  o Annual percentage rates that make a mortgage “qualified”
  o Categories of qualified mortgages
• Non-qualified mortgage (Non-QM)
  o Features of a non-qualified mortgage
  o Types of non-qualified mortgages

**Mortgage loan products**

• Fixed
  o Characteristics of a fixed-rate mortgage
  o Comparisons of types of loans (scenarios)
  o Situations that affect a fixed rate mortgage payment
  o Percentage of pay down required to lessen monthly payments
  o Fixed-rate mortgage loan with escrow
• Adjustable
  o Payment options for an adjustable-rate mortgage
  o Facts on margin with respect to adjustable-rate mortgages
  o Facts on the index with respect to adjustable-rate mortgages
  o Definition of “fully indexed rate”
  o Examples of adjustable-rate mortgages
  o Scenarios resulting in a change in monthly payments
  o Facts on ARM loans
  o Fully indexed rate scenarios
  o Scenarios reflecting payments increasing/decreasing on “change date”
  o Timeline for notifying a customer of a rate change
  o Factors when determining interest rates
  o Calculating a borrower’s monthly payment
• Balloon mortgage loan products
  o Facts about balloon mortgages
  o Types of balloon mortgages
  o Lender requirements
  o Scenarios to determine when a balloon loan may be appropriate for a borrower
• Reverse mortgage
  o Facts on reverse mortgages
  o Timeline for calculating interest on home equity conversion mortgage loans
o Payments required after closing on a conversion mortgage loan
o Age requirements for conversion mortgages
o Amount of title insurance
o Facts on “construction-to-permanent” financing programs
o Permissible percentage of total equity allowed for withdrawal
o Scenarios that cause the full balance to become due
o Requirements of reverse mortgage advertisements
o Required disclosures

- Purchase Money Second Mortgages
- Home Equity Line of Credit (HELOC)
  o Examples of open-ended credit loans
  o Characteristics of a HELOC
- Fundamentals of Construction Mortgages
  o Definition of “construction loan”
  o Classifying the disclosure of financing by the same creditor when constructing a home
  o Required payments on a construction loan
- Interest-only Mortgages
  o Facts about interest only loans
  o Facts on interest only payments
  o Facts on interest only mortgages

- Other Mortgage Products

Ethics – Topics intended to satisfy the 3 hours of Ethics, Fraud, and Consumer Protection.

*Ethical issues and behavior related to loan origination activities*

- Violations of law
  o Violations of Gramm-Leach Bliley Act
- Prohibited acts
  o Examples of “redlining”
  o Acceptable/non-acceptable practices under RESPA
  o Examples of prohibited acts
  o Requests for personal information
  o Examples of “kickbacks”
  o Duties a loan processor may/may not perform
- Predatory lending and steering
  o Definition of “steering”
  o Scenarios surrounding the proper designations of loans and property types
- Fairness Lending
  o Definition of a referral and the required associated disclosures, if necessary
Coercion scenarios
- Scenarios where the appraiser has a conflict of interest
- Discriminating against an applicant
- Requirement to treat all applicants with the same level of fairness

Truth in marketing and advertising
- Scenarios where information is misleading within an advertisement
- Bait and switch scenarios
- Performing a due diligence review of advertisements prior to publication
- Scenarios where “unfair, deceptive, or abusive acts” are undertaken
- Examples of lawful advertising
- Types of advertisements that are subject to federal regulations
- Rules surrounding contact (e.g., “Established business relationship”)
- Permissible statements/phrases within an advertisement

Borrower education

Fraud detection
- Asset fraud
- Red flags on a sales contract
- Application red flags
- Verifying loan application information
- Occupancy fraud
- Income fraud
- General red flags that could represent fraud
- Scenarios surrounding a consumer’s bank activity
- Scenarios where information is not provided to a borrower
- Employment fraud
- Liability fraud
- Suspicious activity

Financial responsibility
- Permitted fees, payments, and compensation (e.g., Loan Estimate)
- Fees that may not increase due to changed circumstances
- How fees are handled based on the Loan Estimate
- Closing cost scenarios
- Settlement scenarios where monies are missing or misused
- Scenarios surrounding referral fees
- Splitting fees

Handling consumer complaints

Mortgage company compliance
- Acceptable practices when acting on behalf of a lender
Acceptable practices regarding appraisals
- Scenarios when an MLO discovers material information that should be conveyed to the lender
- Scenarios surrounding the information supplied by employers
- Requirements for MLOs

Relationship with consumers
- Ethical handling of a customer’s personal information
- Down payment scenarios
- Interest rate adjustment scenarios
- Power of Attorney (POA) scenarios
- Permissible reasons for requesting a credit report
- Scenarios of notifying the underwriter of a change in the borrower’s application or status
- Proper disclosures by MLO if there is a potential conflict of interest
- Scenarios surrounding situations with borrower’s and co-borrower’s
- Permissible acts regarding the appraisal of a client’s property
- Scenarios surrounding situations with borrower’s undisclosed income
- Permissible acts after discovering deposits inconsistent with borrower’s income included on application
- Scenarios involving a gift received by the borrower
- Scenarios of notifying a loan officer if a borrower has applied with other companies for additional mortgages
- Scenarios surrounding a borrower providing information on income
- Cybersecurity scenarios

General business ethics
- Scenarios where borrower has provided false information
- Scenarios where borrower is seeking advice
- Scenarios where the MLO is falsifying information on behalf of a borrower
- Providing suitable unsolicited advice to a borrower
- Scenarios where outside parties/individuals to the loan attempt to obtain information on a loan or about a borrower

Uniform State Content – Topics Intended to Satisfy the Requirements Associated with the Uniform State Test

SAFE Act and CSBS/ARRMR Model State Law

State mortgage regulatory agencies
- Regulatory authority
  - Regulatory power
  - Creation and purpose of the NMLS Registry
  - Frequency of investigations and exams
- CFPB authority to conduct exams
- Continuing education requirements
- Unique identifiers for MLOs
- CFPB penalty limits
- CFPB Loan Originator Rule
- Authority of state regulator (e.g., audit)
  - Responsibilities and limitations

- Definitions and Documents
  - NMLS
  - SAFE Act
  - Documents to be filed for public record

- License Law and Regulation
  - Minimum requirements for state licensing laws
  - Persons required to be licensed
    - Services conducted by MLOs and the requirement to be licensed
    - Entities required to use MLOs
    - Allowable acts by underwriters
    - Clerical/support duties
    - Loan processors

- Business that individuals may/may not conduct without being licensed as an MLO license
  - General business
  - Non-profit institutions
  - Business purpose loans (e.g., commercial, non-owner)

- Licensee qualifications and application process
  - Pre-licensing education requirements
  - Background checks
  - Requirements to becoming an MLO
  - Managing felony charges
  - Waiting period for test retakes
  - Sponsorship requirement
  - “MLO” and the requirement to be licensed with a state

- Grounds for denying a license
  - Reasons for denying an applicant

- License maintenance
  - Continuing education requirements
  - Renewal period
  - License renewal lengths and minimum standards
  - Continuing education courses approvals
- Withholding a record
- Requirements to re-take exam if individual has been absent from industry
- Requirement to maintain an active license
- Required continuing education hours completed to renew a license

- **NMLS requirements**
  - Change of employment and updating NMLS
  - Required submissions that applicants must make to the NMLS system
  - Required disclosures to NMLS
  - Requirement to publicly display an NMLS identifier
  - Requirement to include the NMLS identifier in certain situations
  - Licensed non-depository employees’ vs registered depository employees’ in NMLS

- **Compliance**
  - Authority to examine licensee’s books and records
  - Prohibited conduct and practices
    - Prohibited acts
    - Requirement to obtain a unique identifier
    - Investigations by state agencies
  - Required conduct
    - Individual responsible for providing documents during a complaint investigation
    - Required information to be maintained in a loan file
    - Assumable mortgage loan products
    - Penalties assessed for failure to conduct certain duties
    - Permissible acts
    - Timeline for submitting books and records to a state regulator
    - General scenarios regarding mortgage loan origination
    - Required information on loan documents
    - Record retention requirements
  - Advertising
    - Requirement to include NMLS unique ID in advertisements
CONTINUING EDUCATION (CE) APROVED TOPIC LIST
(for Annual CE Year 2021)

Required Topic Background – Who’s Requiring the CE Topics?

- **Required Topic: (review time: 2 to 3 minutes)**
  - The Multi-State Mortgage Committee (MMC) is comprised of 10 appointed State Regulator members and one Conference of State Bank Supervisors (CSBS) member. Their role is to implement cooperative protocol between state agencies and the financial industry.
  - The role of the State Regulator’s includes licensing and supervising of state-chartered banks and non-bank entities to include mortgage lenders. They ensure the financial services operates in a safe and sound manner.
  - An examination is completed by State Regulators to determine if a financial institution is operating in compliance with state and federal laws. A review of a financial institution’s loans and corporate records are conducted to decide whether the entities are effectively meeting the requirement to operate, monitor, and control risks associated with loan origination activities.

Federal Mortgage-Related Laws – Topics Intended to Satisfy the 3 Hours of Federal Law

- **Required** Equal Credit Opportunity Act (ECOA) - 12 C.F.R. § 1002.9
  - Purpose: **Adverse Action** - 12 C.F.R. § 1002.9 and Appendix C to Part 1002 states a notification given to an applicant when adverse action is taken shall be in writing and shall contain a statement of the action taken. The name and address of the creditor; a statement of the provisions of section 701(a) of the Act; the name and address of the Federal agency that administers compliance with respect to the creditor; and either a statement of specific reasons for the action taken must be included. Appendix C states a creditor must provide the section 615(b) disclosure when adverse action is taken based on information from an outside source other than a consumer reporting agency. In addition, a creditor must provide the section 615(b) disclosure if the creditor obtained information from an affiliate other than information in a consumer report or other than information concerning the affiliate’s own transactions or experiences with the consumer.

- **Required** Department of Veterans Affairs - VA Circular 26-14-10
  - Purpose: **Unallowable Fee** - VA Circular 26-14-10, issued for the purposes of clarifying the VA’s policy on fees, notes that “If the lender charges the full one percent loan origination fee, they cannot charge unallowable fees. Unallowable fees are those that are not expressly specified in 38 CFR 36.4313. Note: VA treats pest inspection fees the same as any other unallowable fee.” Further, the VA released a table (VA Table), current as of August 13, 2020, that identifies allowable state and territory fee deviations (exceptions) normally considered unallowable.

- **Required** Equal Credit Opportunity Act (ECOA) - Regulation B, 12 C.F.R. § 1002.9(a)(ii)
  - Purpose: **Incomplete credit application not denied within 30 days of taking adverse action on the file** - Regulation 12 C.F.R. § 1002.9(a)(ii) requires a lender to send an ECOA notice 30 days after taking adverse action on an incomplete application.
• **Required** Equal Credit Opportunity Act (ECOA) - 12 C.F.R. § 1002.9(c)
  o Purpose: Notice of Incomplete Application Not Provided - Regulation B, 12 C.F.R. § 1002.9(c) requires a lender shall provide a written notice to an applicant within thirty (30) days of receiving an incomplete application of either the application’s incompleteness or the action taken for the application.

• **Required** Equal Credit Opportunity Act (ECOA) and Fair Credit Reporting Act (FCRA) – 12 C.F.R. § 1002.9, 15 U.S.C. Section 1681m
  o Purpose: Failed to Accurately Complete the Statement of Credit Denial, Termination, or Change - Regulation B, 12 C.F.R. § 1002.9 and the Fair Credit Reporting Act, 15 U.S.C. Section 1681m require that licensees provide notification of action taken if an application is denied.

• **Required** Electronic Records and Signatures in Commerce - 15 U.S.C. § 7001(c)(1)
  o Purpose: Failure to Obtain Consumer’s Consent to Receive Electronic Records - 15 U.S.C. § 7001(c)(1) states, information required by law, to be in writing, can be made available electronically to a consumer only if he or she affirmatively consents to receive the information electronically and the business clearly and conspicuously discloses specified information to the consumer before obtaining his or her consent.

• **Required** Home Mortgage Disclosure Act (HMDA) - 12 C.F.R. Part 1003
  o Purpose: Loan Application Missing Method of How Application was Taken - Regulation C, 12 C.F.R. Part 1003 requires the loan application to contain information as to the method the loan was submitted.

• **Required** Real Estate Settlement Procedures Act (RESPA) - 12 C.F.R. § 1024.14(a)(b)
  o Purpose: Prohibition against kickbacks and unearned Fees - 12 C.F.R. § 1024.14(b) of RESPA states that no person shall give and no person shall accept any fee, kickback, or other thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or part of a settlement service involving a federally related mortgage loan shall be referred to any person. Any referral of a settlement service is not a compensable service.
  12 C.F.R. § 1024.14(a) states that any violation of this section is a violation of section 8 of RESPA.

• **Required** Truth in Lending Act (TILA) - 12 C.F.R. § 1026.25 (c)(2)(i)
  o Purpose: Compensation paid to unlicensed loan originator for services not referenced in compensation agreement - 12 C.F.R. § 1026.25 (c)(2)(i) states, in part, that “a creditor shall maintain records sufficient to evidence all compensation it pays to a loan originator and the compensation agreement that governs those payments for three years after the date of payment.”

• **Required** Truth in Lending Act (TILA) - 12 C.F.R. § 1026.38(f)(2)
  o Purpose: Closing Disclosure (Placement of Settlement Services Borrower Did Not Shop For) - 12 C.F.R. § 1026.38(f)(2). Items that were disclosed on the Loan Estimate (LE) in Section C, “Services You Can Shop For”, were required to be disclosed on the CD in Section B, “Services Borrower Did Not Shop For”, since the borrower was provided a written list of settlement service providers and the borrower selected a service provider from that written list.

• **Required** Truth in Lending Act (TILA) - 12 C.F.R. § 1026.19(b)(2)
  o Purpose: Failed to Provide Adjustable Rate Mortgage Disclosure - Regulation Z, 12
C.F.R. § 1026.19(b)(2) requires that a loan program disclosure with details about the terms of the loan be provided at application when the borrower is applying for an adjustable rate mortgage (ARM)

- **Required** Truth in Lending Act (TILA) - 12 C.F.R. § 1026.19(e)(3)(i)
  - Purpose: Failure to Disclose Fees within Permitted Tolerance - 12 C.F.R. § 1026.19(e)(3)(i) of Regulation Z provides the general rule that an estimated closing cost disclosed pursuant to §1026.19(e) is not in good faith if the charges paid by or imposed on the consumer exceeds the amount originally disclosed under §1026.19(e)(1)(i). Section 1026.19(e)(3)(ii) of Regulation Z provides that certain estimated charges are in good faith if the sum of all such charges paid by or imposed on the consumer does not exceed the sum of all such charges disclosed pursuant to §1026.19(e) by more than 10%. Section 1026.19(f)(2)(v) provides that, if amounts paid at closing exceed the amounts specified under 1026.19(e)(3)(i) or (ii), the creditor does not violate §1026.19(e)(1)(i) if the creditor refunds the excess to the consumer no later than 60 days after consummation.

- **Required** Truth in Lending Act (TILA) - 12 C.F.R. § 1026.19(e)(1)(vi)(C)
  - Purpose: Failure to Document Delivery of Properly Completed Written List of Providers - 12 C.F.R. § 1026.19(e)(1)(vi)(C) of Regulation Z states that if the consumer is permitted to shop for a settlement service, the loan originator shall provide the consumer with a written list identifying available providers of that settlement service. The loan originator must identify at least one available provider for each settlement service for which the consumer is permitted to shop.

- **Required** Truth in Lending Act (TILA) - 12 C.F.R. § 1026.19(e)(3)(iv)
  - Purpose: Insufficient Documentation Supporting a Change in Circumstance - Lenders must maintain records demonstrating compliance with the requirements for a revised loan estimate provided because of a change in circumstance. To meet the documentation requirement, a lender must document the original estimate of the cost at issue, explaining the reason for the revision. The reason must be based on one of the allowable reasons.

- **Required** Truth in Lending Act (TILA) - 12 C.F.R. § 1026.36(g)
  - Purpose: TILA - Name and NMLSR ID on Loan Documents – A loan originator must include their name and Nationwide Mortgage Licensing System and Registry (NMLSR) ID. 12 C.F.R. § 1026.36(g)

**Ethics – Topics intended to Satisfy the 2 Hours of Ethics, Fraud, and Consumer Protection.**

- Identity Theft Rules 16 CFR 681
  - Identity theft program
    - Elements of the program to detect and prevent identity theft
  - Detecting and identifying relevant Red Flags
  - Actions taken when identity theft occurs
    - Situations of identity theft detected

- Do Not Call – Telemarketing and Consumer Fraud and Abuse Prevention Act 15 USC 6101 et seq.
  - Defining and prohibiting deceptive telemarketing acts
Senior citizen and other consumer fraud
Scenarios of abusive consumer acts

Mortgage Acts and Practices – Advertising (Regulation N) 12 CFR 1014
Detection of prohibited advertising
Other prohibited mortgage acts and practices

Other topics pertaining to ethics, fraud, and consumer protection.
Enforcement actions
Marketing agreements
Graham, Leach, Bliley Act
Predatory lending, particularly in sub-prime market
Anti-money Laundering

Traditional and Non-Traditional Mortgage Products – Topics Intended to Satisfy the 2 hours of Non-Traditional Mortgage Lending
FHA Mortgage Limits and Updates
CSBS/AARMR Guidance on Nontraditional Mortgage Products Risks
Other topics pertaining to Non-Traditional Mortgage Products
ARM’s
Negative amortization loans
15 Year Loans
Reverse Mortgages
VA Loans
Rehab Loans
Collateral/Portfolio Loans
Seller Financing
Affordable Housing Programs
Non-QM Loans
CONTINUING EDUCATION (CE) APPROVED TOPIC LIST
(for Annual CE Year 2022)

1. **Required Topic: Background – Who Established the Required CE Topics and Why?**
   (review time 2-3 minutes)
   - The Multi-State Mortgage Committee (MMC) is comprised of 10 appointed State Regulator members and one Conference of State Bank Supervisors (CSBS) member. Their role is to implement cooperative protocol between state agencies and the financial industry. For additional information Ref: [https://www.csbs.org/system/files/2019-05/MMC%20Mortgage%20Examination%20Manual%20v2%20-%20May%202019.pdf](https://www.csbs.org/system/files/2019-05/MMC%20Mortgage%20Examination%20Manual%20v2%20-%20May%202019.pdf)
   - The role of the State Regulator’s includes licensing and supervising of state-chartered banks and non-bank entities to include mortgage lenders. They ensure the financial services operates in a safe and sound manner.
   - An examination is completed by State Regulators to determine if a financial institution is operating in compliance with state and federal laws. A review of a financial institutions loans and corporate records are conducted to decide whether the entities are effectively meeting the requirement to operate, monitor, and control risks associated with loan origination activities.
   - The following required CE topics are common violations found during MMC examinations.
   - Individual Mortgage Loan Originators are and will be held accountable by State Regulators for violations found during examinations. The required topics are common violations found through examinations performed by the MMC.

2. **Required Topic: ECOA - 12 C.F.R. § 1002.9**
   - Adverse Action Letter Includes Conflicting Dates -
     - **Purpose:** Regulation B, 12 CFR, Section 1002.9 - requires that once a creditor has obtained all the information it considers in making a credit decision and the application is complete, the creditor has 30 days in which to notify applicants of credit decisions in writing. Files reviewed do not meet the requirements set forth in statute and Administrative Interpretations.
   - Notice of Adverse Action Not Sent within 30 Days -
     - **Purpose:** 12 C.F.R. § 1002.9(a)(1) - Regulation B, 12 C.F.R. Section 1002.9(a)(1) provides that a creditor shall notify an applicant of action taken within 30 days after receiving a completed application concerning the creditor's approval of, counteroffer to, or adverse action on the application.
   - Equal Credit Opportunity Act -
     - **Purpose:** 12 C.F.R. § 1002.9(a)(2) - states in part, a notification given to an applicant when adverse action is taken shall be in writing and shall contain a statement of the action taken; the name and address of the creditor; a statement of the provisions of section 701(a) of the Act; the name and address of the Federal agency that administers compliance with respect to the creditor; and either (i) A statement of specific reasons for the action taken; or (ii) A disclosure of the applicant’s right to a statement of specific reasons within 30 days, if the statement is requested within 60 days of the creditor’s notification. The disclosure shall include the name, address, and telephone number of the person or office from which the statement of reasons can be obtained. If the creditor chooses to provide the reasons orally, the creditor shall also
disclose the applicant's right to have them confirmed in writing within 30 days of receiving the applicant's written request for confirmation.

- **Adverse Action - Statement of Specific Reasons** -
  - **Purpose:** 12 C.F.R. §1002.9(b)(2) - the statement of reasons of adverse action required by paragraph (a)(2)(i) of the section 12 CFR §1002.9 must be specific and indicate the principal reason(s) for the adverse action. Statements that the adverse action was based on the creditor's internal standards or policies or that the applicant, joint applicant, or similar party failed to achieve a qualifying score on the creditor's credit scoring system are insufficient.

3. **Required Topic: ECOA - 12 C.F.R. §1002.14**
   - Providing an Appraisal or Other Valuation –
     - **Purpose:** 12 C.F.R. §1002.14(a)(1) - requires a creditor to provide an applicant a copy of all appraisals and other written valuations developed in connection with an application for credit that is secured by a first lien on a dwelling. A creditor shall provide a copy of each appraisal or other written valuation promptly upon completion, or three business days prior to consummation of the transaction (closed-end credit), whichever is earlier.

   - Consumer's Consent to Receive Electronic Records –
     - **Purpose:** states that information required by law to be in writing, can be made available electronically if the consumer affirmatively consents electronically or confirms his or her consent electronically, in a manner that reasonably demonstrates the consumer can access information in electronic form. In addition, the business must clearly and conspicuously disclose certain information to the consumer such as software and hardware requirements before obtaining his or her consent.

   - Adverse Action Based on Credit
     - **Purpose:** 15 USC §1681m(a) - requires a creditor that takes adverse action on a consumer based on information contained within the consumer report to provide the consumer with: oral, written, or electronic notice of the adverse action; written or electronic disclosure of the numerical credit score used in taking the adverse action; the name, address, and telephone number of the consumer reporting agency from which it received the information; a statement that the consumer reporting agency did not make the decision to take the adverse action and is unable to provide the consumer the specific reasons why the adverse action was taken.
   - Notice of Action Taken, Content –
     - **Purpose:** 15 U.S.C. § 1681m(a)(3)(A) - requires notification to an applicant when taking adverse action on a credit application. The notification shall contain the name, address, and telephone number of the consumer reporting agency that furnished the credit report when the adverse action is based in whole or in part on any information contained in such a report. In addition, 15 U.S.C. § 1681m(b)(1) requires notification to an applicant when credit is denied either wholly or in part based on the information obtained from a source other than a consumer reporting agency.

   - Originating Loans from a Non-Registered FHA Branch –
Purpose: 24 C.F.R § 202.5(k) states a lender may, upon approval by the Secretary, maintain branch offices for the origination of Title I or Title II loans. A branch office of a mortgagee must be registered with the Department in order to originate mortgages or submit applications for mortgage insurance. HUD Handbook 4000.1 I.A.4.a adds further guidance stating the mortgagee must register all branch offices in which it conducts FHA business including originating, underwriting, or servicing of FHA-insured mortgages.

7. **Required Topic: HUD - Title 24, Part 203.10**
   - Failed to Accurately Complete Informed Consumer Choice Disclosure –
     - **Purpose:** Title 24 Part 203.10 requires that borrowers pursuing FHA loans must be provided an Informed Consumer Choice Disclosure Notice. This notice must be revised at least annually in order to ensure borrowers receive accurate information.

8. **Required Topic: RESPA - 12 C.F.R. § 1024.7**
   - Real Estate Settlement Procedures Act –
     - **Purpose:** Company failed to demonstrate overall compliance with Regulation X pursuant to 12 C.F.R. § 1024.7 by failing to provide re-disclosures within the prescribed timeframe. If a changed circumstance affects settlement costs, tolerances, there are borrower-requested changes, or there are interest rate dependent charges and terms, the loan originator must provide a revised Loan Estimate within 3 days of receiving information sufficient to establish changed circumstances.

9. **Required Topic: RESPA - 12 C.F.R. § 1024.14**
   - Prohibition Against Kickbacks and Referral Fees –
     - **Purpose:** Regulation X, 12 CFR, Section 1024.14 prohibits the exchange of a fee, kickback or thing of value pursuant to an agreement or understanding, oral or otherwise, that business incident to or part for a settlement service involving a federally related mortgage loan shall be referred to any person.

10. **Required Topic: RESPA - 12 C.F.R. § 1024.15**
    - Affiliated Business Arrangement Disclosures not provided at time of loan application –
      - **Purpose:** Regulation X, 12 C.F.R., §1024.15(b)(1) states that lenders are required to provide an Affiliated Business Arrangement disclosure form at the time of referral, or at the time of loan application, that discloses the ownership and financial interest between the parties, and provides an estimate of the charges generally made by the service provider.

11. **Required Topic: RESPA - 12 C.F.R. § 1024.7(a), 12 § C.F.R. 1026.19(f), 12 C.F.R. § 1024.33(a)**
    - RESPA Disclosures Not Provided within Three Days –
      - **Purpose:** A lender shall provide all applicants for a federally related mortgage loan with a loan estimate of the amount of, or range of charges for the specific settlement services the borrower is likely to incur in connection with the settlement within three days from the date of the loan application. Regulation X, 12 C.F.R. § 1024.7(a) and 12 § C.F.R. 1026.19(f).

Additionally, United States Code requires that “each person who makes a federally related mortgage loan shall disclose to each person who applies for the loan, at the time of application for the loan, whether the servicing of the loan may be assigned,
sold or transferred to any other person at any other time while the loan is outstanding”. Regulation X, 12 C.F.R. § 1024.33(a)

12. Required Topic: TILA - 12 C.F.R. §1026.19(e)

- Loan Estimates within 3 Days of Application –
  - **Purpose:** Regulation Z, 12 CFR §1026.19(e) requires creditors to provide applicants with a loan estimate (LE) disclosing the amount of or range of charges the applicant is likely to incur at settlement within 3 days from the date of application.

- Timing of Loan Estimate (LE) –
  - **Purpose:** 12 C.F.R. § 1026.19(e)(1)(iii) The creditor shall deliver or place in the mail the disclosures required under paragraph (e)(1)(i) of this section not later than the third business day after the creditor receives the consumer’s application, as defined in § 1026.2(a)(3).

- Failure to Identify Service Provider –
  - **Purpose:** 12 CFR §1026.19(e)(1)(vi)(C) states that if the consumer is permitted to shop for a settlement service, the creditor shall provide the consumer with a written list identifying available providers of that settlement service and stating that the consumer may choose a different provider for that service. The creditor must identify at least one available provider for each settlement service the consumer is permitted to shop.

- Charging Advance Fees –
  - **Purpose:** Regulation Z, 12 C.F.R. § 1026.19(e)(2)(i)(A) states, a creditor nor any other person may impose a fee on a consumer in connection with the consumer’s application for a mortgage transaction before the consumer receives the disclosures (Loan Estimate) required and indicates an intent to proceed with the transaction.

- Intent to Proceed/Credit Card Authorization –
  - **Purpose:** 12 CFR 1026.19(e)(2)(i)(A) prohibits the imposition of a fee, until a documented intent to proceed is provided by the borrower. Upon receipt of an initial application, the Company regularly presented borrowers with a document used to obtain credit card information for the payment of an appraisal. While the borrower is unable to complete the document until an intent to proceed is provided to the Company, the Company should be aware that pursuant to the definition of “imposing a fee,” as outlined in the commentary for 12 CFR 1026.19(e)(2)(i)(A), is the act of providing a request for payment authorization prior to receiving a documented intent to proceed from the borrower. The Company’s process could be reasonably perceived as a requirement for obtaining the loan given that the borrower(s) are allowed to review this request for credit card authorization prior to the Company having received a documented intent to proceed from all borrowers. Federal Regulation prohibits creditors from imposing any fee prior to receiving the borrower’s intent to proceed.

- Verification of Consumer Information –
  - **Purpose:** Regulation Z, 12 C.F.R. § 1026.19(e)(2)(iii) prohibits a creditor from requiring a consumer to submit documents verifying information related to the consumer’s application before providing a good faith estimate of the disclosures required in Regulation Z, 12 C.F.R. § 1026.37.

- Loan Estimate Tolerance –
  - **Purpose:** Regulation Z, 12 C.F.R. § 1026.19(e)(3)(i) states, an estimated closing cost disclosed in the Loan Estimate is in good faith if the charge paid by or imposed on the consumer does not exceed the amount originally disclosed for the following: 1. Fees paid to the creditor;
2. Fees paid to a mortgage broker;
3. Fees paid to an affiliate of the creditor or mortgage broker;
4. Fees paid to an unaffiliated third party if the creditor did not permit the consumer to shop; and,
5. Transfer taxes.

13. Required Topic: TILA - 12 C.F.R. § 1026.19(f)

- Timing of Closing Disclosure (CD) –
  - **Purpose:** 12 C.F.R. § 1026.19(f)(1)(ii) The creditor shall ensure that the consumer receives the disclosures required under paragraph (f)(1)(i) of this section no later than three business days before consummation.

- Truth in Lending Act –
  - **Purpose:** 12 C.F.R. § 1026.19(f)(2)(iii) states in part, if during the thirty day period following consummation, an event in connection with the settlement of the transaction occurs that causes the disclosure to become inaccurate, and such inaccuracy results in a change to an amount actually paid by the consumer from that amount disclosed, the creditor shall deliver or place in the mail a corrected disclosure not later than thirty days after receiving information sufficient to establish that such event has occurred.

- Corrected Closing Disclosure –
  - **Purpose:** Regulation Z, 12 C.F.R. §1026.19(f)(2)(v) specifies that if the creditor cures a tolerance violation by providing a refund to the consumer, the creditor must deliver or place in the mail a corrected Closing Disclosure that reflects the refund no later than 60 calendar days after consummation.

- Excessive Charge for Third-Party Fees –
  - **Purpose:** Regulation Z, 12 C.F.R. § 1026.19(f)(3)(i) states, the amount imposed upon the consumer for any settlement service shall not exceed the amount received by the settlement service provider for that service.

14. Required Topic: TILA - 12 C.F.R. § 1026.20

- Adjustable Rate Mortgage Change Disclosures did not accurately disclose the correct effective date of interest rate adjustment –
  - **Purpose:** 12 C.F.R. § 1026.20(c)(2)(i)(B) - Adjustable Rate Mortgage Change Disclosures did not accurately disclose the correct effective date of interest rate adjustment.

15. Required Topic: TILA - 12 C.F.R. § 1026.24

- Failed to Disclose Additional Credit Terms in Advertisements –
  - **Purpose:** Regulation Z, 12 C.F.R., Section 1026.24(d) (1), and (2), state that:
  (d) Advertisement of terms that require additional disclosures.
  (1) Triggering terms. If any of the following terms is set forth in an advertisement, the advertisement shall meet the requirements of paragraph (d) (2) of this section:
  (i) The amount or percentage of any down payment.
  (ii) The number of payments or period of repayment.
  (iii) The amount of any payment.
  (iv) The amount of any finance charge.
  (2) Additional terms. An advertisement stating any of the terms in paragraph (d)(1) of this section shall state the following terms, as applicable (an example of one or more typical extensions of credit with a statement of all the terms applicable to each
may be used):

(i) The amount or percentage of the down payment.
(ii) The terms of repayment, which reflect the repayment obligations over the full term of the loan, including any balloon payment.
(iii) The “annual percentage rate,” using that term, and, if the rate may be increased after consummation, that fact.

- **Advertising - Triggering & Additional Terms** –
  - **Purpose:** Regulation Z, 12 CFR §1026.24(d) requires additional disclosures if triggering terms are set forth in an advertisement. If the number of payments or period of repayment is set forth in an advertisement, the advertisement must state the additional terms required by (d)(2) of the section as applicable: (i) The amount or percentage of the down payment, (ii) The terms of repayment, reflecting the repayment obligations over the full term of the loan, including any balloon payment, and (iii) The “annual percentage rate,” and if the rate may be increased after consummation.

16. **Required Topic:** TILA - 12 C.F.R. §1026.36

- **Unlicensed Mortgage Loan Originator** –
  - **Purpose:** Regulation Z, 12 C.F.R. §1026.36(f) provides that “a loan originator for a consumer credit transaction secured by a dwelling must, when required by applicable State or Federal law, be registered and licensed in accordance with those laws.”

- **Unique Identifier Missing** –
  - **Purpose:** Regulation Z, 12 CFR §1026.36(g)(1) requires a loan origination organization to include on loan documents, whenever such loan documents are provided to a consumer or presented to a consumer for signature, the following information: the loan origination organization name and NMLS ID; and the name and NMLS ID of the individual mortgage loan originator with primary responsibility for the origination.

17. **Required Topic:** TILA - 12 C.F.R. §1026.37

- **Incorrect Rate Lock Information** –
  - **Purpose:** 12 CFR §1026.37(a)(13)(ii) states “The ‘Rate Lock’ statement required by this paragraph (a)(13) shall be accompanied by a statement that the interest rate, any points, and any lender credits may change unless the interest rate has been locked, and the date and time (including the applicable time zone) at which estimated closing costs expire.”

- **Loan Estimate Content** –
  - **Purpose:** 12 CFR §1026.37(a)(4) states that for each transaction subject to 12 CFR §1026.19(e), the creditor shall disclose, through the Loan Estimate (LE), the date the disclosures are mailed or delivered to the consumer.

Regulation Z, 12 C.F.R. § 1026.37(k)(3) states, for each transaction subject to 12 C.F.R. § 1026.19(e), the creditor shall disclose through the Loan Estimate the email address and telephone number of the loan officer.

Regulation Z, 12 C.F.R. § 1026.37(m)(2) states, for each transaction subject to Regulation Z, 12 C.F.R. § 1026.19(e), the creditor shall disclose, through the Loan Estimate, a statement of whether a subsequent purchaser of the property may be permitted to assume the remaining loan obligation on its original terms, labeled “Assumption.”
Regulation Z, 12 C.F.R. § 1026.37(m)(6) states, for each transaction subject to Regulation Z, 12 C.F.R. § 1026.19(e), the creditor shall disclose, through the Loan Estimate, a statement of whether the creditor intends to service the loan or transfer the loan to another servicer, labeled “Servicing.”

18. Required Topic: TILA - 12 C.F.R. §1026.38

- Content of Closing Disclosure –
  - **Purpose:** Regulation Z, 12 C.F.R. §§ 1026.38(c)(1) and (r) requires the creditor to utilize the Closing Disclosure form to disclose payment and contact information.

Regulation Z, 12 CFR §1026.38(i)(2)(ii)(A) requires the creditor to disclose on the Closing Disclosure (CD) under the subheading “Final,” the amount of “Total Closing Costs” designated as borrower-paid before closing. If the amounts disclosed under this section are different from those disclosed under the subheading “Loan Estimate,” a statement of the fact along with a statement that the amounts were paid prior to settlement.

In addition, 12 CFR §1026.38 (f)(2) requires an itemization of the services and corresponding costs for each of the settlement services required by the creditor, for which the consumer did not shop and disclosed under the subheading “Services Borrower Did Not Shop For”.

Regulation Z, 12 C.F.R. § 1026.38(g)(4) states, the creditor shall disclose, under the subheading “Other” and in the applicable column as described in paragraph (g) of this section, an itemization of each amount for charges in connection with the transaction that are in addition to the charges disclosed under paragraphs (f) and (g)(1) through (3) for services that are required or obtained in the real estate closing by the consumer, the seller, or other party, the name of the person ultimately receiving the payment, and the total of all such itemized amounts that are designated borrower-paid at or before closing.

Regulation Z, 12 C.F.R. § 1026.38(r)(2) requires the creditor to disclose, under the subheading “Contact Information,” the consumer’s real estate broker (under subheading “Real Estate Broker (B)) and the seller’s real estate broker (under the subheading “Real Estate Broker (S))”, the address.

- **Failed to Provide Complete and Accurate Closing Disclosures –**
  - **Purpose:** Regulation Z, 12 CFR, Section 1026.38(f)(2) and (3) requires that the lender provide all borrowers with Closing Disclosures that include accurate closing cost details and information for section “B. Services Borrower Did Not Shop For” and section “C. Services Borrower Did Shop For.” Borrowers received Closing Disclosures with inaccurate closing cost information in sections B and C on page 2. Additionally, Regulation Z, 12 CFR, Section 1026.38(r) requires that the “Contact Information” table be complete and accurate when provided to the borrower.

- **Failure to Document Delivery of Properly Completed Closing Disclosure –**
  - **Purpose:** Section 1026.38(p)(3) of Regulation Z requires a Closing Disclosure to contain a brief statement of whether, and the conditions under which, the consumer may remain responsible for any deficiency after foreclosure under applicable State law, a brief statement that certain protections may be lost if the consumer refinances or incurs additional debt on the property, and a statement that the consumer should
consult an attorney for additional information, under the subheading “Liability after Foreclosure.” The Official Interpretation to Section 1026.38(p)(3) of Regulation Z states, if the applicable State law affords any type of protection, other than a statute of limitations that only limits the timeframe in which a creditor may seek redress, Section 1026.38(p)(3) requires a statement that State law may protect the consumer from liability for the unpaid balance.

Ethics – Topics intended to Satisfy the 2 Hours of Ethics, Fraud, and Consumer Protection.

- Identity Theft Rules 16 CFR 681
  - Identity theft program
    - Elements of the program to detect and prevent identity theft
  - Detecting and identifying relevant Red Flags
  - Actions taken when identity theft occurs
    - Situations of identity theft detected
- Do Not Call – Telemarketing and Consumer Fraud and Abuse Prevention Act 15 USC 6101 et seq.
  - Defining and prohibiting deceptive telemarketing acts
  - Senior citizen and other consumer fraud
  - Scenarios of abusive consumer acts
- Mortgage Acts and Practices – Advertising (Regulation N) 12 CFR 1014
  - Detection of prohibited advertising
  - Other prohibited mortgage acts and practices
- Other topics pertaining to ethics, fraud, and consumer protection.
  - Enforcement actions
  - Marketing agreements
  - Graham, Leach, Bliley Act
  - Predatory lending, particularly in sub-prime market
  - Anti-money Laundering

Traditional and Non-Traditional Mortgage Products – Topics Intended to Satisfy the 2 hours of Non-Traditional Mortgage Lending

- FHA Mortgage Limits and Updates
- CSBS/AARMR Guidance on Nontraditional Mortgage Products Risks
- Other topics pertaining to Non-Traditional Mortgage Products
  - ARM’s
  - Negative amortization loans
  - 15 Year Loans
  - Reverse Mortgages
  - VA Loans
  - Rehab Loans
  - Collateral/Portfolio Loans
ON-APPROVED TOPIC LIST

The following course topics have been determined to not be in compliance with the SAFE act:

- Any course not directly tied to the negotiating, taking, and processing of a residential loan application.
- General Self-Improvement Courses
- Financial Planning Courses
- Any course relating to selling, sales, marketing, lead-generation, or business development
- Loan product training (loan sales, product marketing, or advertising
- Any course topics related to consumer data mining, market segmentation, or minority marketing practices
- Any information technology-related course
- Commercial lending
- Courses on any Federal or State law not directly tied to residential mortgage lending