

# Hello, L.O. Licensing

By 2008, 40 states will require loan-officer licenses — where does yours stand?

By **Herbert H. Thomas**, president, Thomas Law Firm PC

**I**F YOU DON'T KNOW THE LATEST ON loan-officer-licensing laws in your state, listen up.

Everyone from state legislators and enforcement agencies to anti-predatory-lending groups, mortgage brokers associations and consumers are serious about cleaning up the image of the mortgage industry through loan-officer licensing. And that can be good news.

An improved image will ultimately mean a better mortgage industry. It will also yield better incomes for ethical brokers.

In the past three years, the number of states that require loan-officer licenses has increased more than tenfold. Recently, new laws commenced in three states. Others passed legislation or were working on it. The way it looks now, some 40 states will legally require loan-officer licenses by mid-2008.

Anyone who fails to comply with these laws faces severe punishments, including steep fines — in some cases, in the neighborhood of \$10,000 per loan — cease-and-desist orders and company-license revocations.

The widespread call for loan-officer licenses most recently spread to Colorado, Maryland and Washington state, each of which began issuing licenses early this year. By mid-2008, Alaska, Minnesota, New York, Rhode Island and South Dakota also will require loan-officer licenses or registration. While Minnesota's regulation, which allows broad company registration, is less strict than others, it does require background checks and education standards. Other states also conduct criminal-history investigations, implement competency exams and require a certain amount of experience and surety bonds.

As of early summer, Georgia, Massachusetts, Michigan and Pennsylvania — each with pending legislation — were readying to add their names to the list of states requiring loan-officer licenses.

While some states busy themselves enacting new laws and legislation, others go about strengthening existing rules and enforcement.

Here's a look at eight states that recently have changed their rules for loan officers, brokers and lenders.

## Indiana

A change in the U.S. Housing and Urban Development (HUD) exemption will cause many previously exempt mortgage companies to license their loan officers.

## Colorado

The HUD exemption was repealed. This exposed loan officers from about 12,000 mortgage-broker companies to licensing requirements.

## West Virginia

The state Legislature passed a bill that requires an entity holding mortgage-lender and broker licenses to license its individual loan originators when the majority of the entity's residential mortgage loan transactions are brokered transactions.

## Mississippi

Loan originators are now required to have at least one year of mortgage experience in the past two years. If not, they must complete 24 hours of extended education — including at least four hours on Mississippi law — before they can work.

In addition, the state eliminated its correspondent-lender license. Licensees must now

choose a broker license with a bond of \$25,000 or a lender license with a bond of \$150,000.

"Principal" loan officers, meanwhile, must have two years' mortgage experience within the past four years. If that experience is outside of Mississippi, then four hours of coursework on state law is required.

Background checks also were extended from 10 years to a lifetime. Any felonies — and certain misdemeanors — can result in denial of licenses.

## Ohio

The broker and loan-officer education requirements have changed. Anyone applying for a mortgage broker certificate or loan officer license must now complete 24 hours of classroom instruction within the preceding 10 years.

## Texas

The state Savings and Mortgage Lending Division will start issuing company mortgage-broker licenses on Jan. 1. Loan-officer applicants must complete 60 classroom education hours.

## Oregon

Oregon's Division of Finance and Corporate Securities rewrote its regulations to ensure mortgage lenders and brokers supervise and control their loan originators. Regulations also require loan originators to complete coursework and pass an exam before accepting loan applications.

## Maine

Loan officer education requirements, including 16 credit-hours of approved courses or examinations, will take effect Feb. 1. In addition, 12 credit hours of approved continuing education must be completed during each subsequent 12-month period.

Compliance with all of the above laws — as well as with those that are sure to follow — will improve the image of the mortgage industry with consumers and the public. Not only that, but your cooperation also can help keep you and your company out of trouble.

Plus, states with loan-officer licensing rules are serious about enforcing their laws. North

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Carolina, for example, promises fines as high as \$10,000 per loan violation.

Wherever you work, don't put yourself at risk. Instead, embrace these new regulations. They're here to protect customers and ethical brokers. 

### On the Web: Loan Officer Regulations

Information about the 36 states that require loan-officer licenses or registration can be found at the following Web sites.\*

<b>AK</b>	<a href="http://www.dced.state.ak.us/bsc/mortgagelender.htm">www.dced.state.ak.us/bsc/mortgagelender.htm</a>	<b>MT</b>	<a href="http://data.opi.state.mt.us/bills/mca_toc/32_9_1.htm">data.opi.state.mt.us/bills/mca_toc/32_9_1.htm</a>
<b>AR</b>	<a href="http://www.securities.arkansas.gov">www.securities.arkansas.gov</a>	<b>NC</b>	<a href="http://www.nccob.org/nccob/mortgage">www.nccob.org/nccob/mortgage</a>
<b>CA</b>	<a href="http://www.dre.cahwnet.gov">www.dre.cahwnet.gov</a>	<b>NH</b>	<a href="http://www.nh.gov/banking">www.nh.gov/banking</a>
<b>CO</b>	<a href="http://www.dora.state.co.us/securities/mortgagebrokers.htm">www.dora.state.co.us/securities/mortgagebrokers.htm</a>	<b>NJ</b>	<a href="http://www.state.nj.us/dobi/">www.state.nj.us/dobi/</a>
<b>CT</b>	<a href="http://www.ct.gov/dob/site">www.ct.gov/dob/site</a>	<b>NV</b>	<a href="http://www.mld.nv.gov">www.mld.nv.gov</a>
<b>FL</b>	<a href="http://www.flofr.com/licensing/MB-Individuals.htm">www.flofr.com/licensing/MB-Individuals.htm</a>	<b>NY</b>	<a href="http://www.banking.state.ny.us">www.banking.state.ny.us</a>
<b>HI</b>	<a href="http://www.state.hi.us/dcca">www.state.hi.us/dcca</a>	<b>OH</b>	<a href="http://www.com.state.oh.us/dfi">www.com.state.oh.us/dfi</a>
<b>ID</b>	<a href="http://finance.idaho.gov">finance.idaho.gov</a>	<b>OK</b>	<a href="http://www.okdocc.state.ok.us/mainMB.php">www.okdocc.state.ok.us/mainMB.php</a>
<b>IL</b>	<a href="http://www.idfpr.com/default.asp">www.idfpr.com/default.asp</a>	<b>OR</b>	<a href="http://www.cbs.state.or.us/external/dfcs">www.cbs.state.or.us/external/dfcs</a>
<b>IN</b>	<a href="http://www.in.gov/sos">www.in.gov/sos</a>	<b>RI</b>	<a href="http://www.dbr.state.ri.us/divisions/banking_securities">www.dbr.state.ri.us/divisions/banking_securities</a>
<b>IA</b>	<a href="http://www.idob.state.ia.us">www.idob.state.ia.us</a>	<b>SC</b>	<a href="http://www.sccoconsumer.gov">www.sccoconsumer.gov</a>
<b>KS</b>	<a href="http://www.osbckansas.org/DOB/DOBlawsandregulations.html">www.osbckansas.org/DOB/DOBlawsandregulations.html</a>	<b>SD</b>	<a href="http://www.state.sd.us/drr2/reg/bank/bank-hom.htm">www.state.sd.us/drr2/reg/bank/bank-hom.htm</a>
<b>KY</b>	<a href="http://www.kfi.ky.gov">www.kfi.ky.gov</a>	<b>TN</b>	<a href="http://www.tennessee.gov/tdfi">www.tennessee.gov/tdfi</a>
<b>LA</b>	<a href="http://www.ofi.state.la.us/newrml.htm">www.ofi.state.la.us/newrml.htm</a>	<b>TX</b>	<a href="http://www.sml.state.tx.us">www.sml.state.tx.us</a>
<b>MD</b>	<a href="http://www.dllr.state.md.us/finance">www.dllr.state.md.us/finance</a>	<b>UT</b>	<a href="http://realestate.utah.gov">realestate.utah.gov</a>
<b>ME</b>	<a href="http://www.maine.gov/pfr/financialinstitutions">www.maine.gov/pfr/financialinstitutions</a>	<b>WA</b>	<a href="http://www.dfi.wa.gov/cs/mortgage.htm">www.dfi.wa.gov/cs/mortgage.htm</a>
<b>MN</b>	<a href="http://www.state.mn.us">www.state.mn.us</a>	<b>WI</b>	<a href="http://www.wdfi.org">www.wdfi.org</a>
<b>MS</b>	<a href="http://www.dbcf.state.ms.us/mortgage_lending.htm">www.dbcf.state.ms.us/mortgage_lending.htm</a>	<b>WV</b>	<a href="http://www.wvdob.org/professionals/n_mortgage.htm">www.wvdob.org/professionals/n_mortgage.htm</a>

\*Information current as of press time