



Loan Broker Update

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Todd Rokita

Secretary of State

Chris Naylor

*Securities
Commissioner*



Bill Cady

bcady@sos.in.gov

*Loan Broker Field
Examiner*

Josh Wise

jwise@sos.in.gov

Loan Broker Deputy

SAFE Act – Changes in 2010

Title V of P.L. 110-289, the *Secure and Fair Enforcement for Mortgage Licensing Act of 2008* ("SAFE Act"), was passed on July 30, 2008, and created mandates upon mortgage loan originators in our industry in an effort to enhance consumer protection and reduce fraud through the setting of minimum standards for licensing. Through the insightful leadership of Secretary of State Todd Rokita and his administration, Indiana had already established testing for loan originators and principal managers prior to the participation of state agencies on the Nationwide Mortgage Licensing System (NMLS). Effective January 1, 2010, two (2) assessments were available to Indiana licensees: the national component administered by the NMLS, and our principal manager assessment administered by Performance Assessment Network (PAN). On February 22, 2010 the Indiana state component became available on the NMLS.

SOS Principal Manager -	available
SOS Loan Originator -	discontinued
NMLS National Component -	available
NMLS State Component-	available

Before July 1, 2010, all Indiana SOS licensees must take and pass the national component offered by the NMLS. A failure of the test automatically necessitates a waiting period of thirty (30) days.

In the near future all currently licensed individuals will be contacted by the NMLS and instructed to complete a certification process which will waive their requirement to complete the state component. New originators who had never taken the state assessment through PAN will be required to take and pass the state component administered by Pearson Vue through the NMLS in addition to the national component. At this time, the state component does not fall under the July 1, 2010, deadline.

If an individual not currently licensed in the future wishes to be a principal manager, they must take three (3) assessments: the national component, the state component, and the principal manager assessment through PAN.

Indiana is one of the few states that has adopted a principal manager designate at each branch office location. This individual is responsible for the oversight of others within his/her branch, and must meet a higher proficiency level of industry knowledge. Therefore, we will still be requiring individuals wishing to begin their own broker business or manage a branch office to pass this assessment, which is administered by PAN.

Effective January 1, 2001, all loan originators in Indiana were required to satisfy pre-registration education requirements of twenty-four (24) hours of "live" industry relative content, and twelve (12) hours of continuing education each two years. In 2007, the continuing education requirement was changed to six (6) hours each year. Today, because of the SAFE Act, the NMLS is administering the initial pre-licensing education of twenty (20) hours, and continuing education required annually in the amount of eight (8) hours. If you are currently licensed as a loan originator or principal managers and have previously completed your initial pre-registration education requirement of twenty-four (24) hours, then you can be certified through the NMLS for this initial education requirement. To maintain a license, mortgage loan originators and principal managers will be required to complete the annual continuing education requirement of eight (8) hours.

In the future, information will be made available about the required authorization for a credit check and on submitting the annual call report for mortgage loan activity. Stay tuned to the NMLS website for important developments.

Electronic File Storage

How many of you remember the days when "live" signatures were required on origination documents and verifications? How much money did we all spend on overnight and courier packages? Documents today are frequently emailed to borrowers, applications are taken over the telephone and internet, and loans are submitted for approval electronically. Since the industry is already requiring you to scan and submit loans for approval, it seems logical that the broker today will retain electronic storage of files instead of hard copies which take up so much space. However, you must be careful to retain all correspondence applicable to the loan origination in order to comply with **IC 23-2-5-18**. This would include all email correspondence between the originator and processor with the underwriter, appraiser, real estate agent or borrower with regard to any and all aspects of the loan application. This includes all facsimiles, appraisal and title request forms, as well as underwriting submissions and closing request documents. If, in the event of a consumer complaint, we find that material relevant to the investigation of the complaint is no longer available with the licensee, then we may have a violation of this statute.

Retention of documents must be made available to regulators. Documents saved in a lender's underwriting system may not be retrievable if the relationship with the lender is terminated. Electronic storage should be in a format that regulators may view, such as a PDF reader. Electronic storage of loan documents is an option available to those that prefer not to store documents in file cabinets, but it should be handled carefully so as to retain all documents which are relative to the origination of the loan.

Email Loan Applications

When sending confidential financial documents to a borrower to sign and return, be sure to password protect your transmission. The internet is the most active source of identity fraud in America, and you certainly do not want to send loan applications unprotected to borrowers to sign and return.

Email Communication

Because he is out of the office frequently on broker audits, the best way to communicate with Bill Cady is by email. He welcomes your comments, questions and suggestions, and will respond within one (1) day of your inquiry. Comments regarding this Loan Broker Update and the new NMLS assessments are encouraged. He is also requesting your assistance in providing contact information for Account Executives (AE's) representing lenders who may also wish to receive this periodic update. Please forward your AE's name and email address to his attention, and he will add them to our database of recipients.

Alerts Page

Be sure and check our SOS Alerts Page at <http://www.in.gov/sos/securities/2747.htm>. We will be posting important updates and information relative to licensing and legislative updates for loan brokers periodically.

**Indiana Secretary
of State**

Securities Division

(317) 232-6681

302 W. Washington
Street, Room E-111

Indianapolis, IN
46204