



Legislative Changes needed to Amendment the SAFE Act

Summary

Bank Loan Originators are only required to be Registered with the Nationwide Multi State Licensing System (NMLS). Registered Loan Originators are internally trained on just the loan products available at the bank and offered by that employee. So there is no knowledge of loan products offered to Veterans, FHA loan eligible customers and State Housing Bond offerings. Only employees hired after 1.1.2014 are required to have background checks on par with Lender Loan Originators (see below). Perhaps more important, there is no ethics testing for Bank Loan Originators.

Lender Loan Originator Requirements - more stringent

Every mortgage originator that works for a non-bank must currently:

- (a) Pass the SAFE Act test – which at the federal level includes ethics and Federal laws and regulations – plus any testing the state they do business in requires,
- (b) Pass an independent background check,
- (c) Complete 20 hours of SAFE Act approved pre-licensing courses to be approved, &
- (d) Complete 8 hours of SAFE Act continuing education courses each year.

Currently, the 400,000 mortgage originators that work at depository institutions (banks and credit unions) do not have to comply with any of these four requirements. Over 95% of bank and other depository institution registered mortgage loan originators have never even taken the SAFE Act test. In addition, there are thousands of registered bank loan originators that actually failed the test (11% failure rate per NMLS) but are still registered and permitted to originate mortgages, according to the Conference of State Bank Supervisors.

Inexperienced Registered Loan Originators

Depositories have registered over 400,000 LOs and it is clear that a majority of the federally registered LOs working in their 10,000 institutions are not involved in origination. In fact, one bank reports 1,265 federally registered LOs on the NMLS system. However, the bank reflects a total of about 132 mortgage loan originators originating in 10 states. So the questions is, what do the 1000 Registered Loan Originators do that have not originated a loan?

Legislative Solution

NAMB advocates an amendment to the SAFE Act to require mortgage originators at depository institutions over \$10 billion to pass the Uniform National SAFE Act test administered by the NMLS and have third-parties administer education and background checks.