



**American Association of Residential Mortgage Regulators (AARMR)  
and the  
Conference of State Bank Supervisors (CSBS)**

**MEGs Users School  
Model Examination Guidelines for Mortgage Examinations**

*Course Outline and Syllabus  
Current March 1, 2009*

The MEGs Users School is a self-paced, online course designed to assist mortgage examiners and mortgage industry compliance personnel implement the Model Examination Guidelines (MEGs) on the Guidance on Nontraditional Mortgage Product Risks (Guidance) and the Statement on Subprime Mortgage Lending (Statement).

This document includes:

- Learning objectives
- Course sessions and student access
- A course outline including times estimated to complete each unit
- Information about quizzes
- Course Advisors
- Certificates of Completion

**Learning Objectives**

When users successfully complete the course they will be able to do the following:

- Describe the nontraditional and subprime mortgage markets including their recent history.
- List the features and characteristics of nontraditional and subprime mortgage products and define how they present potential risk to consumers and lenders.
- List the key federal regulations that apply to residential mortgage lending and identify their main features.
- Describe how the Guidance on Nontraditional Mortgage Product Risks and Statement on Subprime Mortgage Lending are designed to protect consumers.
- Explain how the Model Examination Guidelines (MEGs) provides a uniform set of tools for mortgage examinations.
- Conduct an examination of a mortgage licensee applying the MEGs.

### **Course Sessions and Student Access**

A new MEGs course session starts monthly on the first day of each month. On or after the first of the month, students are free to enter the course as soon as their registrations have been validated and they have been assigned a login id and password. They are free to use the course as much as they wish at any time they wish. There are no prescribed dates or times to be online nor scheduled assignments. (See Certificate of Completion below for more information about the time limits for completing quizzes when students want to earn a certificate.)

The course has been designed to be completed in approximately four weeks. Students who spend 6 – 8 hours per week should be able to complete the course within this period. Each course session will remain open for three months. Once the students have completed the course units, this will allow them to return to the course to access examination information and related documents. Access to each course session will expire at the end of the third month.

### **Course Outline with Time Estimates**

The course consists of 12 units which are listed below along with a brief description of each unit and an estimated number of hours to complete the unit. Nine of the units have quizzes to help students measure their understanding and mastery of the course objectives. Those units are marked accordingly.

#### **Unit 1: The History of Subprime Lending – Estimated Time: 2 hours (quiz)**

This unit is an introduction to Subprime and Alt A lending and a changing marketplace that has caused significant regulatory concern today.

#### **Unit 2: Subprime Market Products and Services – Estimated Time: 3 hours (quiz)**

This unit includes common products and services that make up the subprime mortgage market as well as the “features” or characteristics associated with the products.

#### **Unit 3: General Subprime Lending Risks – Estimated Time: 5 hours (quiz)**

This unit covers the basic risks associated with subprime lending. It includes both the potential risks to the industry and to consumers. In addition, it includes a primer on important federal regulations related to residential mortgage lending.

#### **Unit 4: History of Agency Guidance – Estimated Time: 4 hours (quiz)**

This unit covers the recent history of mortgage supervision at the federal level.

#### **Unit 5: Assessing the Risks of Subprime Lending – Estimated Time: 3 hours (quiz)**

This unit applies the foundation developed in Unit 3 and expands it. It covers various ways to assess the risks of subprime lending.

**Unit 6: Using the Guidance on Nontraditional Mortgage Product Risks – Estimated Time: 2 hours (quiz)**

This unit examines the Guidance in detail and breaks it down into sub pieces to help with understanding and mastery.

**Unit 7: Using the Statement on Subprime Lending – Estimated Time: 2 hours (quiz)**

This unit examines the Statement in detail and breaks it down into sub pieces to help with understanding and mastery.

**Unit 8: AARMR/CSBS Model Examination Guidelines – Estimated Time: 7 hours (quiz)**

This is a comprehensive unit which covers virtually everything students need to learn about using the MEGs modules and builds on the previous units. This unit contains information that will likely be useful as a refresher when examiners or compliance personnel are preparing for MEGs examinations.

**Unit 9: Module 3 Covered Transaction Summary Sheet – Estimated Time: 2 hours**

This unit covers the offsite review of the lender's origination activity and loan portfolio. Like the previous unit, it is crucial to the employment of MEGs.

**Unit 10: On-site Examination – Estimated Time: 3 hours (quiz)**

This unit covers the actual process of conducting an onsite examination with MEGs. It is of primary importance to regulatory examiners, industry compliance personnel and auditors.

**Unit 11: Writing the Report – Estimated Time: 2 hours**

This unit helps the student prepare for writing the final report of examination. It consists of recommendations that will assist the examiner in drafting a stand-alone MEGs report or in incorporating a MEGs review into a standard examination report.

**Unit 12: Summary – Estimated Time: 30 minutes**

This final unit includes a summary, thoughts on the examination process and the future of regulatory exams. Students will be prompted to complete a brief course survey.

**Quizzes**

Nine of the 12 units include quizzes. The quizzes are brief, usually five or six questions per quiz. All the questions are either True/False or Multiple Choice. Students can enter the quizzes and re-take them as many times as they wish. (See Certificate of Completion below for more information about the requirements for passing quizzes in order to receive a certificate.)

### **Course Advisors**

A state mortgage regulator will serve as a Course Advisor in each MEGs session. He or she will be available for the first six weeks of each session to serve as a resource to students. After the initial six-week period, students having course or MEGs examination inquiries will be directed to a CSBS or AARMR contact.

### **Certificate of Completion**

Students who satisfy the following requirement will receive a Certificate of Successful Completion.

- Complete all quizzes (nine of them) with a perfect score.
  - Students can re-take the quizzes an unlimited number of times.
- Complete the quizzes in the **initial six-week period** of the course session.
  - Students working 6 – 8 hours per week should be able to complete the course in four weeks or less.
- Complete an end-of-course survey.