

HOW TO USE THIS DOCUMENT: This document includes both the Model State Law for Implementation of the S.A.F.E. Act, as well as *italicized* placeholders for language to be included in a more comprehensive uniform state law. The non-italicized sections of this document can be cross-referenced to relevant S.A.F.E. Act sections via the SAFE to State Cross-Reference Table for Implementation Language—Version 4. The sections of this document **highlighted in yellow** are sections that have been updated or added since the initial version release August 19, 2008.

MODEL STATE LAW FOR IMPLEMENTATION OF PL 110-289, TITLE V

MSL XX.XXX.010 TITLE. This Act may be cited as “The Model State Law for Implementation of Public Law 110-289, Title V., The S.A.F.E. Act.”

MSL XX.XXX.020 PURPOSE OF THIS ACT [Optional language for states that do not have language sufficiently covering PL 110-289, Sec. 1508(d)(1)]—The activities of mortgage loan originators and the origination or offering of financing for residential real property have a direct, valuable and immediate impact upon this State's consumers, this State's economy, the neighborhoods and communities of this State, and the housing and real estate industry. The Legislature finds that accessibility to mortgage credit is vital to the state's citizens. The Legislature also finds that it is essential for the protection of the citizens of this State and the stability of the State's economy that reasonable standards for licensing and regulation of the business practices of mortgage loan originators be imposed. The Legislature further finds that the obligations of mortgage loan originators to consumers in connection with originating or making residential mortgage loans are such as to warrant the regulation of the mortgage lending process. The purpose of this Act is to protect consumers seeking mortgage loans and to ensure that the mortgage lending industry is operating without unfair, deceptive, and fraudulent practices on the part of mortgage loan originators. Therefore the Legislature establishes within this Act:

(1) **SYSTEM OF SUPERVISION AND ENFORCEMENT**—An effective system of supervision and enforcement of the mortgage lending industry, including:

- (a) The authority to issue licenses to conduct business under this Act, including the authority to write rules **or regulations** or adopt procedures necessary to the licensing of persons covered under this Act.
- (b) The authority to deny, suspend, condition or revoke licenses issued under this Act.
- (c) The authority to examine, investigate and conduct enforcement actions as necessary to carry out the intended purposes of this Act, including the authority to subpoena witnesses and documents, enter orders, including cease and desist orders, order restitution and monetary penalties and order the removal and ban of individuals from office or employment.

(2) **BROAD ADMINISTRATIVE AUTHORITY**—That the Commissioner shall have the broad administrative authority to administer, interpret and enforce this Act, and promulgate rules **or regulations** implementing this Act, in order to carry out the intentions of the Legislature.

MSL XX.XXX.030 DEFINITIONS—For purposes of this title, the following definitions shall apply:

(X) *ACT*—The term “Act” or “this Act” means . . . [States should note that “this Act” as used throughout the MSL means either this law as a complete law, or a primary state mortgage law that this law has been merged into. When adopting the term “this Act,” states that intend to also mean other state mortgage laws must be careful to include the appropriate reference to those other laws.]

(X) *ADVERTISING*—The term “advertising” means . . .

(X) *AFFILIATE*—The term “affiliate” means . . .

(X) *ANNUAL AUDIT*—The term “annual audit” means . . .

(X) *BORROWER*—The term “borrower” means . . .

(X) *BRANCH OFFICE*—The term “branch office” means . . .

(X) *COMMISSIONER*—The “commissioner” means . . .

(X) *COMMITMENT* or *LOAN COMMITMENT*—The term “commitment” or “loan commitment” means . . .

(X) *CONTROL*—The term “control” means . . .

(X) *DEPARTMENT/DIVISION*—The “department” means . . .

(1) *DEPOSITORY INSTITUTION*—The term “depository institution” has the same meaning as in section 3 of the Federal Deposit Insurance Act, and includes any credit union.

(X) *DESIGNATED BROKER OR OFFICER, ETC.*—The term “designated broker” means . . .

(X) *DIGITAL SIGNATURE*—The term “digital signature” means . . .

(X) *ESCROW FUNDS*—The term “escrow funds” means . . . [States may also wish to define “trust funds.”]

(2) *FEDERAL BANKING AGENCIES*—The term “Federal banking agencies” means the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Director of the Office of Thrift Supervision, the National Credit Union Administration, and the Federal Deposit Insurance Corporation.

(X) *INTEREST RATE LOCK IN AGREEMENT*—The term “interest rate lock in agreement” means . . .

(X) *INVESTIGATION*—The term “investigation” means . . .

(X) *LICENSEE*—The term “licensee” means . . .

(X) *MAKING A MORTGAGE LOAN*—The term “making a mortgage loan” means . . .

(X) *MORTGAGE BROKER*—The term “mortgage broker” means . . .

(X) *MORTGAGE BROKERAGE AGREEMENT*—The term “mortgage brokerage agreement” means . . .

(X) *MORTGAGE LENDER*—The term “mortgage lender” means . . .

(3) MORTGAGE LOAN ORIGINATOR—

(a) IN GENERAL—The term “mortgage loan originator”—

(i) Means an individual who—

(A) Takes a residential mortgage loan application; or

(B) Offers or negotiates terms of a residential mortgage loan for compensation or gain;

(ii) Does not include any individual who is not otherwise described in clause (i) and who performs purely administrative or clerical tasks on behalf of a person who is described in any such clause;

(iii) Does not include a person or entity that only performs real estate brokerage activities and is licensed or registered in accordance with applicable State law, unless the person or entity is compensated by a lender, a mortgage broker, or other mortgage loan originator or by any agent of such lender, mortgage broker, or other mortgage loan originator; and

(iv) Does not include a person or entity solely involved in extensions of credit relating to timeshare plans, as that term is defined in section 101(53D) of title 11, United States Code.

(b) ADMINISTRATIVE OR CLERICAL TASKS—The term “administrative or clerical tasks” means the receipt, collection, and distribution of information common for the processing or underwriting of a loan in the mortgage industry and communication with a consumer to obtain information necessary for the processing or underwriting of a residential mortgage loan.

(c) REAL ESTATE BROKERAGE ACTIVITY DEFINED—For purposes of this Act the term “real estate brokerage activity” means any activity that involves offering or providing real estate brokerage services to the public, including—

(i) Acting as a real estate agent or real estate broker for a buyer, seller, lessor, or lessee of real property;

(ii) Bringing together parties interested in the sale, purchase, lease, rental, or exchange of real property;

(iii) Negotiating, on behalf of any party, any portion of a contract relating to the sale, purchase, lease, rental, or exchange of real property (other than in connection with providing financing with respect to any such transaction);

(iv) Engaging in any activity for which a person engaged in the activity is required to be registered or licensed as a real estate agent or real estate broker under any applicable law; and

(v) Offering to engage in any activity, or act in any capacity, described in subsections (i), (ii), (iii), or (iv) of this section.

(X) *MORTGAGE PROVIDER*—The term “mortgage provider” means . . .

(X) *MORTGAGE SERVICER*—The term “mortgage servicer” means . . .

(4) **NATIONWIDE MORTGAGE LICENSING SYSTEM AND REGISTRY**—The term “Nationwide Mortgage Licensing System and Registry” means a mortgage licensing system developed and maintained by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators for the licensing and registration of licensed mortgage loan originators.

(X) *ORIGINATE*—The term “originate” means . . .

(5) **PERSON**—The term “person” means a natural person, corporation, company, limited liability corporation, partnership, or association.

(6) **REGISTERED MORTGAGE LOAN ORIGINATOR**—The term “registered mortgage loan originator” means any individual who—

- (a) Meets the definition of mortgage loan originator and is an employee of—
 - (i) A depository institution;
 - (ii) A subsidiary that is—
 - (A) Owned and controlled by a depository institution; and
 - (B) Regulated by a Federal banking agency; or
 - (iii) An institution regulated by the Farm Credit Administration; and
- (b) Is registered with, and maintains a unique identifier through, the Nationwide Mortgage Licensing System and Registry.

(7) **RESIDENTIAL MORTGAGE LOAN**—The term “residential mortgage loan” means any loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling (as defined in section 103(v) of the Truth in Lending Act) or residential real estate upon which is constructed or intended to be constructed a dwelling (as so defined).

(X) *SERVICE CORPORATION*—The term “service corporation” means . . .

(X) *SUBSIDIARY*—The term “subsidiary” means . . .

(X) *THIRD-PARTY PROVIDER*—The term “third-party provider” means . . .

(8) **UNIQUE IDENTIFIER**—The term “unique identifier” means a number or other identifier assigned by protocols established by the Nationwide Mortgage Licensing System and Registry.

MSL XX.XXX.0X0 EXEMPTIONS FROM THIS ACT [This section will cover exemptions from the Act (e.g. banks, credit unions, etc.). Note that MSL XX.XXX.040(2) provides a single exemption from this Act for the Registered Mortgage Loan Originators of depository institutions. However, the institutions themselves are not exempt from the Act because it is currently written for Mortgage Loan Originators only.]

MSL XX.XXX.040 LICENSE AND REGISTRATION REQUIRED—

(1) IN GENERAL—An individual, unless specifically exempted from this Act under MSL XX.XXX.040(2), shall not engage in the business of a mortgage loan originator without first obtaining and maintaining annually a license under this Act. Each licensed mortgage loan originator must register with and maintain a valid unique identifier issued by the Nationwide Mortgage Licensing System and Registry.

(X) EXPANDED IN GENERAL—An individual or person, unless specifically exempted . . . [This section will capture the companies and branch locations required to be licensed.]

(2) EFFECTIVE DATE—In order to facilitate an orderly transition to licensing and minimize disruption in the mortgage marketplace, the effective date for subsection (1) of this section shall be [DATE].

(3) EXEMPTION FROM THIS ACT—Registered Mortgage Loan Originators, when acting for an entity described in MSL XX.XXX.030(6)(a)(i),(ii) or (iii) are exempt from this Act.

(4) LOAN PROCESSOR OR UNDERWRITER—

(a) IN GENERAL.—The term “loan processor or underwriter” means an individual who performs clerical or support duties as an employee at the direction of and subject to the supervision and instruction of a person licensed, or exempt from licensing under [reference appropriate state mortgage licensing laws here].

(b) CLERICAL OR SUPPORT DUTIES.—For purposes of subparagraph (A), the term “clerical or support duties” may include—

(i) the receipt, collection, distribution, and analysis of information common for the processing or underwriting of a residential mortgage loan; and

(ii) communicating with a consumer to obtain the information necessary for the processing or underwriting of a loan, to the extent that such communication does not include offering or negotiating loan rates or terms, or counseling consumers about residential mortgage loan rates or terms.

(c) LICENSE NOT REQUIRED—An individual engaging solely in loan processor or underwriter activities, who does not represent to the public, through advertising or other means of communicating or providing information including the use of business cards, stationery, brochures, signs, rate lists, or other promotional items, that such individual can or will perform any of the activities of a mortgage loan originator shall not be required to obtain and maintain a license under MSL XX.XXX.040(1).

(d) INDEPENDENT CONTRACTORS—An independent contractor may not engage in residential mortgage loan origination activities as a loan processor or underwriter unless such independent contractor obtains and maintains a license under MSL XX.XXX.040(1). Each independent contractor loan processor or underwriter licensed as a mortgage loan originator must have and maintain a valid unique identifier issued by the Nationwide Mortgage Licensing System and Registry.

(5) COMMISSIONER AUTHORITY TO ESTABLISH LICENSING RULES, REGULATIONS OR INTERIM PROCEDURES AND ACCEPT EARLY APPLICATIONS—For the purposes of implementing an orderly and efficient licensing process the Commissioner may establish licensing rules or regulations and interim procedures for licensing and acceptance

of applications. For previously registered or licensed individuals the Commissioner may establish expedited review and licensing procedures.

(X) LICENSE ISSUANCE BASED ON INDIVIDUAL—[This section intends to cover the requirement for owner and controlling person application in conjunction with company application.]

MSL XX.XXX.050 STATE LICENSE AND REGISTRATION APPLICATION AND ISSUANCE—

(1) **APPLICATION FORM**—Applicants for a license shall apply in a form as prescribed by the Commissioner. Each such form shall contain content as set forth by rule, regulation, instruction or procedure of the Commissioner and may be changed or updated as necessary by the Commissioner in order to carry out the purposes of this Act.

(2) **COMMISSIONER MAY ESTABLISH RELATIONSHIPS OR CONTRACTS**—In order to fulfill the purposes of this Act, the Commissioner is authorized to establish relationships or contracts with the Nationwide Mortgage Licensing System and Registry or other entities designated by the Nationwide Mortgage Licensing System and Registry to collect and maintain records and process transaction fees or other fees related to licensees or other persons subject to this Act.

(3) **WAIVE OR MODIFY REQUIREMENTS** [Optional language if needed by a state.]—For the purpose of participating in the Nationwide Mortgage Licensing System & Registry, the Commissioner is authorized to waive or modify, in whole or in part, by rule, regulation or order, any or all of the requirements of this chapter and to establish new requirements as reasonably necessary to participate in the Nationwide Mortgage Licensing System & Registry.

(4) **BACKGROUND CHECKS**—In connection with an application for licensing as a mortgage loan originator, the applicant shall, at a minimum, furnish to the Nationwide Mortgage Licensing System and Registry information concerning the applicant's identity, including—

- (a) Fingerprints for submission to the Federal Bureau of Investigation, and any governmental agency or entity authorized to receive such information for a state, national and international criminal history background check; and
- (b) Personal history and experience in a form prescribed by the Nationwide Mortgage Licensing System and Registry, including the submission of authorization for the Nationwide Mortgage Licensing System and Registry and the Commissioner to obtain—
 - (i) An independent credit report obtained from a consumer reporting agency described in section 603(p) of the Fair Credit Reporting Act; and
 - (ii) Information related to any administrative, civil or criminal findings by any governmental jurisdiction.

(5) **AGENT FOR PURPOSES OF REQUESTING AND DISTRIBUTING CRIMINAL INFORMATION**— For the purposes of this section and in order to reduce the points of contact which the Federal Bureau of Investigation may have to maintain for purposes of subsection (4)(a) and (b)(ii) the Commissioner may use the Nationwide Mortgage Licensing System and Registry as a channeling agent for requesting information from and distributing information to the Department of Justice or any governmental agency.

(6) **AGENT FOR PURPOSES OF REQUESTING AND DISTRIBUTING NON-CRIMINAL INFORMATION**— For the purposes of this section and in order to reduce the points of contact which the Commissioner may have to maintain for purposes of subsection (4)(b)(i) and (ii) the Commissioner may use the Nationwide Mortgage Licensing System and Registry as a channeling agent for requesting and distributing information to and from any source so directed by the Commissioner.

(X) APPLICATION CONTENT AND PROCESS—[The section will cover specific information to be provided by individuals or persons such as name, social security number, date of birth, employment history, etc.]

(X) UNDERTAKINGS AND REPRESENTATIONS—[This section contains requirements for statements about the company by controlling persons. It also might contain a section warranting that employees are knowledgeable of laws and regulations.]

(X) CHANGE IN CONTROL—[The section will cover the requirements when a change in control takes place.]

MSL XX.XXX.060 ISSUANCE OF LICENSE—The Commissioner may not issue a mortgage loan originator license unless the Commissioner makes at a minimum the following findings:

(1) **NO LICENSE REVOCATION**—The applicant has never had a mortgage loan originator license revoked in any governmental jurisdiction.

(2) **NO FELONY CONVICTION**—The applicant has not been convicted of, or pled guilty or nolo contendere to, a felony in a domestic, foreign, or military court—

(a) During the 7-year period preceding the date of the application for licensing and registration; or

(b) At any time preceding such date of application, if such felony involved an act of fraud, dishonesty, or a breach of trust, or money laundering.

(3) **CHARACTER AND FITNESS**—The applicant has demonstrated financial responsibility, character, and general fitness such as to command the confidence of the community and to warrant a determination that the mortgage loan originator will operate honestly, fairly, and efficiently within the purposes of this Act.

(4) **PRE-LICENSING EDUCATION**—The applicant has completed the pre-licensing education requirement described in subsection MSL XX.XXX.070.

(5) **WRITTEN TEST**—The applicant has passed a written test that meets the test requirement described in subsection MSL XX.XXX.080.

(6) **NET WORTH, SURETY BOND OR STATE FUND REQUIREMENT**—The applicant has met the [States must choose one: net worth, surety bond requirement, or paid into a State fund] as required pursuant to MSL XX.XXX.140.

MSL XX.XXX.0X0 INTERNET MORTGAGE LENDING—[This section would include

coverage mortgage lending activity over the Internet. While this may not be a standalone section, it is offered as a placeholder for discussion purposes and inclusion where appropriate.]

MSL XX.XXX.070 PRE-LICENSING EDUCATION OF LOAN ORIGINATORS—

(1) **MINIMUM EDUCATIONAL REQUIREMENTS**—In order to meet the pre-licensing education requirement referred to in subsection MSL XX.XXX.060(4), a person shall complete at least 20 hours of education approved in accordance with paragraph (2) of this section, which shall include at least—

- (a) 3 hours of Federal law and regulations;
- (b) 3 hours of ethics, which shall include instruction on fraud, consumer protection, and fair lending issues; and
- (c) 2 hours of training related to lending standards for the nontraditional mortgage product marketplace.

(2) **APPROVED EDUCATIONAL COURSES**.—For purposes of paragraph (1) of this section, pre-licensing education courses shall be reviewed, and approved by the Nationwide Mortgage Licensing System and Registry based upon reasonable standards. Review and approval of a pre-licensing education course shall include review and approval of the course provider.

(3) **APPROVAL OF EMPLOYER AND AFFILIATE EDUCATIONAL COURSES**—Nothing in this section shall preclude any pre-licensing education course, as approved by the Nationwide Mortgage Licensing System and Registry, that is provided by the employer of the applicant or an entity which is affiliated with the applicant by an agency contract, or any subsidiary or affiliate of such employer or entity.

(4) **VENUE OF EDUCATION**—Pre-licensing education may be offered either in a classroom, online or by any other means approved by the Nationwide Mortgage Licensing System and Registry.

(5) **RECIPROCITY OF EDUCATION**—A person having successfully completed the pre-licensing education requirements approved by the Nationwide Mortgage Licensing System and Registry in subsections (1)(a), (b) and (c) of this section for any state shall be accepted as credit towards completion of pre-licensing education requirements in this state.

MSL XX.XXX.080 TESTING OF LOAN ORIGINATORS—

(1) **IN GENERAL**—In order to meet the written test requirement referred to in MSL XX.XXX.060(5), an individual shall pass, in accordance with the standards established under this subsection, a qualified written test developed by the Nationwide Mortgage Licensing System and Registry and administered by a test provider approved by the Nationwide Mortgage Licensing System and Registry based upon reasonable standards.

(2) **QUALIFIED TEST**—A written test shall not be treated as a qualified written test for purposes of paragraph (1) of this section unless the test adequately measures the applicant's knowledge and comprehension in appropriate subject areas, including—

- (a) Ethics;
- (b) Federal law and regulation pertaining to mortgage origination;

- (c) State law and regulation pertaining to mortgage origination;
- (d) Federal and State law and regulation, including instruction on fraud, consumer protection, the nontraditional mortgage marketplace, and fair lending issues.

(3) **TESTING LOCATION**—Nothing in this section shall prohibit a test provider approved by the Nationwide Mortgage Licensing System and Registry from providing a test at the location of the employer of the applicant or any subsidiary or affiliate of the employer of the applicant, or any entity with which the applicant holds an exclusive arrangement to conduct the business of a mortgage loan originator.

(4) **MINIMUM COMPETENCE**—

- (a) **PASSING SCORE**—An individual shall not be considered to have passed a qualified written test unless the individual achieves a test score of not less than 75 percent correct answers to questions.
- (b) **INITIAL RETESTS**—An individual may retake a test 3 consecutive times with each consecutive taking occurring at least 30 days after the preceding test.
- (c) **SUBSEQUENT RETESTS**—After failing 3 consecutive tests, an individual shall wait at least 6 months before taking the test again.
- (d) **RETEST AFTER LAPSE OF LICENSE**—A licensed mortgage loan originator who fails to maintain a valid license for a period of 5 years or longer shall retake the test, not taking into account any time during which such individual is a registered mortgage loan originator.

MSL XX.XXX.090 STANDARDS FOR LICENSE RENEWAL—

- (1) **IN GENERAL**—The minimum standards for license renewal for mortgage loan originators shall include the following:
 - (a) The mortgage loan originator continues to meet the minimum standards for license issuance under MSL XX.XXX.060(1)-(5).
 - (b) The mortgage loan originator has satisfied the annual continuing education requirements described in MSL XX.XXX.100.

MSL XX.XXX.100 CONTINUING EDUCATION FOR MORTGAGE LOAN ORIGINATORS—

- (1) **IN GENERAL**—In order to meet the annual continuing education requirements referred to in section XX.XXX.090(1)(b), a licensed mortgage loan originator shall complete at least 8 hours of education approved in accordance with paragraph (2) of this section, which shall include at least—
 - (a) 3 hours of Federal law and regulations;
 - (b) 2 hours of ethics, which shall include instruction on fraud, consumer protection, and fair lending issues; and
 - (c) 2 hours of training related to lending standards for the nontraditional mortgage product marketplace.
- (2) **APPROVED EDUCATIONAL COURSES**—For purposes of paragraph (1) of this section, continuing education courses shall be reviewed, and approved by the Nationwide Mortgage

Licensing System and Registry based upon reasonable standards. Review and approval of a continuing education course shall include review and approval of the course provider.

(3) APPROVAL OF EMPLOYER AND AFFILIATE EDUCATIONAL COURSES—Nothing in this section shall preclude any education course, as approved by the Nationwide Mortgage Licensing System and Registry, that is provided by the employer of the mortgage loan originator or an entity which is affiliated with the mortgage loan originator by an agency contract, or any subsidiary or affiliate of such employer or entity.

(4) VENUE OF EDUCATION—Continuing education may be offered either in a classroom, online or by any other means approved by the Nationwide Mortgage Licensing System and Registry.

(5) CALCULATION OF CONTINUING EDUCATION CREDITS—A licensed mortgage loan originator—

- (a) May only receive credit for a continuing education course in the year in which the course is taken; and
- (b) May not take the same approved course in the same or successive years to meet the annual requirements for continuing education.

(6) INSTRUCTOR CREDIT—A licensed mortgage loan originator who is an instructor of an approved continuing education course may receive credit for the licensed mortgage loan originator's own annual continuing education requirement at the rate of 2 hours credit for every 1 hour taught.

(7) RECIPROcity OF EDUCATION—A person having successfully completed the education requirements approved by the Nationwide Mortgage Licensing System and Registry in subsections (1)(a), (b) and (c) of this section for any state shall be accepted as credit towards completion of continuing education requirements in this state.

MSL XX.XXX.110 AUTHORITY TO REQUIRE LICENSE—In addition to any other duties imposed upon the Commissioner by law, the Commissioner shall require mortgage loan originators to be licensed and registered through the Nationwide Mortgage Licensing System and Registry. In order to carry out this requirement the Commissioner is authorized to participate in the Nationwide Mortgage Licensing System and Registry. For this purpose, the Commissioner may establish [by rule/regulation or order] requirements as necessary, including but not limited to:

(1) BACKGROUND CHECKS—Background checks for:

- (a) Criminal history through fingerprint or other databases;
- (b) Civil or administrative records;
- (c) Credit history; or
- (d) Any other information as deemed necessary by the Nationwide Mortgage Licensing System and Registry.

(2) FEES—The payment of fees to apply for or renew licenses through the Nationwide Mortgage Licensing System and Registry;

- (3) **SETTING DATES**—The setting or resetting as necessary of renewal or reporting dates; and
- (4) **OTHER**—Requirements for amending or surrendering a license or any other such activities as the Commissioner deems necessary for participation in the Nationwide Mortgage Licensing System and Registry.

MSL XX.XXX.120 NATIONWIDE MORTGAGE LICENSING SYSTEM AND REGISTRY INFORMATION CHALLENGE PROCESS—The Commissioner shall establish a process whereby mortgage loan originators may challenge information entered into the Nationwide Mortgage Licensing System and Registry by the Commissioner.

MSL XX.XXX.1X0 DISCLOSURE REQUIREMENTS—*[The section will cover state and federal disclosure requirements.]*

MSL XX.XXX.1X0 TRUST ACCOUNTS—*[The section will cover the requirement for trust or escrow accounts for the maintenance of others' funds (e.g. deposits for appraisal, etc., or if applicable, servicer escrow accounts.)]*

MSL XX.XXX.1X0 RECORD KEEPING REQUIREMENTS—*[This section will cover records maintenance, accounting and retention requirements.]*

MSL XX.XXX.130 [For states lacking sufficient enforcement authority for compliance with SAFE Sec. 1508(d)(1) & (5).] ENFORCEMENT AUTHORITIES, VIOLATIONS AND PENALTIES—

- (1) In order to ensure the effective supervision and enforcement of this Act the Commissioner may:
- (a) Deny, suspend, revoke, condition or decline to renew a license for a violation of this Act, rules **or regulations** issued under this Act or order or directive entered under this Act.
 - (b) Order restitution against persons subject to this Act for violations of this Act.
 - (c) Impose fines on persons subject to this Act pursuant to subsections (2), (3) and (4) of this section.
 - (d) Issue orders or directives under this Act as follows:
 - (i) Order or direct persons subject to this Act to cease and desist from conducting business, including immediate temporary orders to cease and desist.
 - (ii) Order or direct persons subject to this Act to cease any harmful activities or violations of this Act, including immediate temporary orders to cease and desist.
 - (iii) Enter immediate temporary orders to cease business under a license or interim license issued pursuant to the authority granted under MSL **XX.XXX.040(4) if the Commissioner determines that such provisional license was erroneously granted or the provisional licensee is currently in violation of this Act;**
 - (iv) Order or direct such other affirmative action as the Commissioner deems necessary.
 - (v) Remove or ban from office or employment, including license revocation, any person conducting business under this Act:
 - (A) For a violation of this Act; or

- (B) If the Commissioner determines that such person has been convicted of a felony that would preclude licensing under this Act; or
- (C) If by a preponderance of evidence the Commissioner determines that the person no longer demonstrates the financial responsibility, character, and general fitness such as to command the confidence of the community and to warrant a determination that the person subject to the Act will operate honestly, fairly, and efficiently within the purposes of the Act.

(2) The Commissioner may impose a civil penalty on a mortgage loan originator or person subject to this Act, if the Commissioner finds, on the record after notice and opportunity for hearing, that such mortgage loan originator or person subject to this Act has violated or failed to comply with any requirement of this Act or any regulation prescribed by the Commissioner under this Act or order issued under authority of this Act.

(3) The maximum amount of penalty for each act or omission described in subsection (2) of this section shall be \$25,000.

(4) Each violation or failure to comply with any directive or order of the Commissioner is a separate and distinct violation or failure.

MSL XX.XXX.1X0 CRIMINAL ACTS—[This section will identify misdemeanors and felonies chargeable under this law. For example: intentional **records destruction, theft of trust funds, acts of mortgage fraud, etc.**]

MSL XX.XXX.1X0 INSTITUTION OF CRIMINAL PROSECUTIONS—[This section will cover the authority to make criminal prosecutions.]

MSL XX.XXX.140 [Pursuant to PL 110-285, Title V, Section 1508(d)(6), each state will choose one of the following options.]

SURETY BOND REQUIRED—

(1) **COVERAGE, FORM AND REGULATIONS**—Each mortgage loan originator shall be covered by a surety bond in accordance with this section. In the event that the mortgage loan originator is an employee or exclusive agent of a person subject to this Act, the surety bond of such person subject to this Act can be used in lieu of the mortgage loan originator's surety bond requirement.

- (a) The surety bond shall provide coverage for each mortgage loan originator in an amount as prescribed in subsection (2) of this section.
- (b) The surety bond shall be in a form as prescribed by the Commissioner.
- (c) The Commissioner may promulgate rules **or regulations** with respect to the requirements for such surety bonds as are necessary to accomplish the purposes of this Act.

(2) **PENAL SUM OF SURETY BOND**—The penal sum of the surety bond shall be maintained in an amount that reflects the dollar amount of loans originated as determined by the Commissioner.

(3) **ACTION ON BOND**—When an action is commenced on a licensee’s bond the Commissioner may require the filing of a new bond.

(4) **NEW BOND**—Immediately upon recovery upon any action on the bond the licensee shall file a new bond.

OR

MINIMUM NET WORTH REQUIRED—

(1) **MINIMUM NET WORTH**—A minimum net worth shall be continuously maintained for mortgage loan originators in accordance with this section. In the event that the mortgage loan originator is an employee or exclusive agent of a person subject to this Act, the net worth of such person subject to this Act can be used in lieu of the mortgage loan originator’s minimum net worth requirement.

(a) Minimum net worth shall be maintained in an amount that reflects the dollar amount of loans originated as determined by the Commissioner.

(b) The Commissioner may promulgate rules or regulations with respect to the requirements for minimum net worth as are necessary to accomplish the purposes of this Act.

OR

STATE FUND—[Each state choosing this option will draft unique language establishing a fund.]

MSL XX.XXX.150 CONFIDENTIALITY—In order to promote more effective regulation and reduce regulatory burden through supervisory information sharing—

(1) **PROTECTIONS**—Except as otherwise provided in Public Law 110-289, Section 1512, the requirements under any Federal law or [state citation for public disclosure law] regarding the privacy or confidentiality of any information or material provided to the Nationwide Mortgage Licensing System and Registry, and any privilege arising under Federal or State law (including the rules of any Federal or State court) with respect to such information or material, shall continue to apply to such information or material after the information or material has been disclosed to the Nationwide Mortgage Licensing System and Registry. Such information and material may be shared with all State and Federal regulatory officials with mortgage industry oversight authority without the loss of privilege or the loss of confidentiality protections provided by Federal law or [state citation of public disclosure law].

(2) **AGREEMENTS AND SHARING ARRANGEMENTS**—For these purposes, the Commissioner is authorized to enter agreements or sharing arrangements with other governmental agencies, the Conference of State Bank Supervisors, the American Association of Residential Mortgage Regulators or other associations representing governmental agencies as established by rule, regulation or order of the Commissioner.

(3) **NONAPPLICABILITY OF CERTAIN REQUIREMENTS**—Information or material that is subject to a privilege or confidentiality under subsection (1) of this section shall not be subject to—

- (a) Disclosure under any Federal or State law governing the disclosure to the public of information held by an officer or an agency of the Federal Government or the respective State; or
- (b) Subpoena or discovery, or admission into evidence, in any private civil action or administrative process, unless with respect to any privilege held by the Nationwide Mortgage Licensing System and Registry with respect to such information or material, the person to whom such information or material pertains waives, in whole or in part, in the discretion of such person, that privilege.

(4) **COORDINATION WITH [State citation of public disclosure law]**—[State citation of public disclosure law] relating to the disclosure of confidential supervisory information or any information or material described in subsection (1) of this section that is inconsistent with subsection (1) shall be superseded by the requirements of this section.

(5) **PUBLIC ACCESS TO INFORMATION**—This section shall not apply with respect to the information or material relating to the employment history of, and publicly adjudicated disciplinary and enforcement actions against, mortgage loan originators that is included in the Nationwide Mortgage Licensing System and Registry for access by the public.

MSL XX.XXX.160 [For states lacking sufficient investigation or examination authority for compliance with SAFE Sec. 1515.] INVESTIGATION AND EXAMINATION

AUTHORITY—In addition to any authority allowed under this Act the Commissioner shall have the authority to conduct investigations and examinations as follows:

(1) **AUTHORITY TO ACCESS INFORMATION**—For purposes of initial licensing, license renewal, license suspension, license conditioning, license revocation or termination, or general or specific inquiry or investigation to determine compliance with this Act, the Commissioner shall have the authority to access, receive and use any books, accounts, records, files, documents, information or evidence including but not limited to:

- (a) Criminal, civil and administrative history information, including nonconviction data as specified in [state criminal code citation]; and
- (b) Personal history and experience information including independent credit reports obtained from a consumer reporting agency described in section 603(p) of the Fair Credit Reporting Act; and
- (c) Any other documents, information or evidence the Commissioner deems relevant to the inquiry or investigation regardless of the location, possession, control or custody of such documents, information or evidence.

(2) **INVESTIGATION, EXAMINATION, AND SUBPOENA AUTHORITY**—For the purposes of investigating violations or complaints arising under this Act, or for the purposes of examination, the Commissioner may review, investigate, or examine any licensee, individual or person subject to this Act, as often as necessary in order to carry out the purposes of this Act. The Commissioner may direct, subpoena, or order the attendance of and examine under oath all persons whose testimony may be required about the loans or the business or subject matter of any such examination or investigation, and may direct, subpoena, or order such person to

produce books, accounts, records, files, and any other documents the Commissioner deems relevant to the inquiry.

(3) **AVAILABILITY OF BOOKS AND RECORDS**—Each licensee, individual or person subject to this Act shall make available to the Commissioner upon request the books and records relating to the operations of such licensee, individual or person subject to this Act. The Commissioner shall have access to such books and records and interview the officers, principals, mortgage loan originators, employees, independent contractors, agents, and customers of the licensee, individual or person subject to this Act concerning their business.

(4) **REPORTS AND OTHER INFORMATION AS DIRECTED**—Each licensee, individual or person subject to this Act shall make or compile reports or prepare other information as directed by the Commissioner in order to carry out the purposes of this section including but not limited to:

- (a) Accounting compilations;
- (b) Information lists and data concerning loan transactions in a format prescribed by the Commissioner; or
- (c) Such other information deemed necessary to carry out the purposes of this section.

(5) **CONTROL ACCESS TO RECORDS**—In making any examination or investigation authorized by this Act, the Commissioner may control access to any documents and records of the licensee or person under examination or investigation. The Commissioner may take possession of the documents and records or place a person in exclusive charge of the documents and records in the place where they are usually kept. During the period of control, no individual or person shall remove or attempt to remove any of the documents and records except pursuant to a court order or with the consent of the Commissioner. Unless the Commissioner has reasonable grounds to believe the documents or records of the licensee have been, or are at risk of being altered or destroyed for purposes of concealing a violation of this Act, the licensee or owner of the documents and records shall have access to the documents or records as necessary to conduct its ordinary business affairs.

(6) **ADDITIONAL AUTHORITY**—In order to carry out the purposes of this section, the Commissioner may:

- (a) Retain attorneys, accountants, or other professionals and specialists as examiners, auditors, or investigators to conduct or assist in the conduct of examinations or investigations;
- (b) Enter into agreements or relationships with other government officials or regulatory associations in order to improve efficiencies and reduce regulatory burden by sharing resources, standardized or uniform methods or procedures, and documents, records, information or evidence obtained under this section;
- (c) Use, hire, contract or employ public or privately available analytical systems, methods or software to examine or investigate the licensee, individual or person subject to this Act;
- (d) Accept and rely on examination or investigation reports made by other government officials, within or without this state;
- (e) Accept audit reports made by an independent certified public accountant for the licensee, individual or person subject to this Act in the course of that part of the examination covering the same general subject matter as the audit and may incorporate

the audit report in the report of the examination, report of investigation or other writing of the Commissioner; or

(f) Assess the licensee, individual or person subject to this Act the cost of the services in subsection (a) of this section.

(7) EFFECT OF AUTHORITY—The authority of this section shall remain in effect, whether such a licensee, individual or person subject to this Act acts or claims to act under any licensing or registration law of this State, or claims to act without such authority.

(8) WITHHOLD RECORDS—No licensee, individual or person subject to investigation or examination under this section may knowingly withhold, abstract, remove, mutilate, destroy, or secrete any books, records, computer records, or other information.

MSL XX.XXX.170 [This language is optional for states with insufficient coverage of prohibited practices. Each state will provide its own intro and include the practices as necessary. Practices 6, 8 and 10 support requirements in the SAFE Act.] PROHIBITED ACTS AND PRACTICES—It is a violation of this Act for a person or individual subject to this Act to:

(1) Directly or indirectly employ any scheme, device, or artifice to defraud or mislead borrowers or lenders or to defraud any person;

(2) Engage in any unfair or deceptive practice toward any person;

(3) Obtain property by fraud or misrepresentation;

(4) Solicit or enter into a contract with a borrower that provides in substance that the person or individual subject this Act may earn a fee or commission through "best efforts" to obtain a loan even though no loan is actually obtained for the borrower;

(5) Solicit, advertise, or enter into a contract for specific interest rates, points, or other financing terms unless the terms are actually available at the time of soliciting, advertising, or contracting;

(6) Conduct any business covered by this Act without holding a valid license as required under this Act, or assist or aide and abet any person in the conduct of business under this Act without a valid license as required under this Act ;

(7) Fail to make disclosures as required by this Act and any other applicable state or federal law including regulations thereunder;

(8) Fail to comply with this Act or rules **or regulations** promulgated under this Act, or fail to comply with any other state or federal law, including the rules and regulations thereunder, applicable to any business authorized or conducted under this Act;

(9) Make, in any manner, any false or deceptive statement or representation [optional add on: including, with regard to the rates, points, or other financing terms or conditions for a residential mortgage loan, or engage in bait and switch advertising];

(10) Negligently make any false statement or knowingly and willfully make any omission of material fact in connection with any information or reports filed with a governmental agency or the Nationwide Mortgage Licensing System and Registry or in connection with any investigation conducted by the Commissioner or another governmental agency;

(11) Make any payment, threat or promise, directly or indirectly, to any person for the purposes of influencing the independent judgment of the person in connection with a residential mortgage loan, or make any payment threat or promise, directly or indirectly, to any appraiser of a property, for the purposes of influencing the independent judgment of the appraiser with respect to the value of the property;

(12) Collect, charge, attempt to collect or charge or use or propose any agreement purporting to collect or charge any fee prohibited by this Act;

(13) Cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer.

(14) Fail to truthfully account for monies belonging to a party to a residential mortgage loan transaction.

MSL XX.XXX.180 MORTGAGE CALL REPORTS—Each **[mortgage licensee]** shall submit to the Nationwide Mortgage Licensing System and Registry reports of condition, which shall be in such form and shall contain such information as the Nationwide Mortgage Licensing System and Registry may require.

MSL XX.XXX.190 REPORT TO NATIONWIDE MORTGAGE LICENSING SYSTEM AND REGISTRY—[Notwithstanding or Subject to state privacy law] the Commissioner is required to report regularly violations of this act, as well as enforcement actions and other relevant information, to the Nationwide Mortgage Licensing System and Registry subject to the provisions contained in [MSL XX.XXX.150].

MSL XX.XXX.1X0 UNIQUE IDENTIFIER SHOWN—The unique identifier of any person originating a residential mortgage loan shall be clearly shown on all residential mortgage loan application forms, solicitations or advertisements, including business cards or websites, and any other documents as established by rule, regulation or order of the Commissioner.

MSL XX.XXX.X00 MORTGAGE BROKER AGREEMENTS AND VALIDITY OF CONTRACT—[This section would cover agreements between brokers and borrowers and the validity and enforceability of certain types of contracts, especially borrower agreements to pay fees.]

MSL XX.XXX.X00 ADVERTISEMENTS AND PROMOTIONS—[This section would restrict the way in which licensees could solicit business. For example: No use of government or “official looking” ads or emblems, or representations of affiliations that are untrue or inaccurate.]

MSL XX.XXX.X00 MORTGAGE LOAN ORIGINATOR AFFILIATIONS—[The section would cover the prohibition on MLOs working for more than one entity at a time.]

MSL [For applicable states only.] XX.XXX.X0X PRIVATELY INSURED CREDIT UNIONS—Non-federally insured credit unions which employ loan originators, as defined in PL 110-289, Title V, the S.A.F.E. Act, shall register such employees with the Nationwide Mortgage Licensing System and Registry by furnishing the information concerning the employees' identity set forth in Section 1507(a)(2) of PL 110-289, Title V.