

Regulatory Bulletin 5.1-105 Educational Requirements for Mortgage Loan Originators

By the [Division of Banks](#)

I. **Applicability and Scope**

The purpose of this Regulatory Bulletin is to formalize education requirements that mortgage loan originator license applicants must satisfy in order to apply for such a license pursuant to Massachusetts General Laws (G.L.), chapter 255F and Division of Banks Regulation 209 CMR 41.00 *et seq.* These educational requirements will familiarize potential applicants with the necessary lending concepts, processes, applicable laws and regulations related to the mortgage origination profession. This Bulletin also sets forth requirements for the application and approval of mortgage loan originator educational courses by the Commissioner of Banks. This Bulletin applies to all individuals applying for licensure as mortgage loan originators as well as individuals and companies seeking to provide loan originator educational courses. All mortgage lenders and brokers must be aware of the requirements set forth in this Bulletin in regards to employment of mortgage loan originators. Those individuals that met the definition of a mortgage loan originator prior to November 30, 2007 are not required to complete a residential mortgage lending course prior to licensure as a mortgage loan originator provided they apply for a license by May 27, 2008.

II. **Policy**

To obtain a license as a mortgage loan originator in the Commonwealth of Massachusetts, pursuant to G.L., c. 255F and Division's Regulation 209 CMR 41.00 *et seq.*, an applicant must complete a residential mortgage lending course, approved by the Commissioner, within the two-year period prior to the date of approval as a mortgage loan originator. Additionally, each approved mortgage loan originator licensee must complete at least eight hours of residential mortgage lending continuing education courses annually. Those individuals that successfully complete the pre-licensure residential mortgage lending course are not required to complete the additional continuing education requirements during that calendar year in which the mortgage loan originator is licensed. Failure of licensed mortgage loan originators to satisfy the continuing education requirement shall render the mortgage loan originator ineligible for renewal and such licensee shall be deemed inactive.

Pursuant to G.L., c. 255F, each residential mortgage lending course and continuing education course must be approved by the Commissioner, as detailed in this Bulletin.

The educational courses must contain, at a minimum, the following:

A. **Residential Mortgage Lending Course**

Each approved course must be entirely classroom-based and be at least 24 hours in duration. Fifty minutes of classroom instruction will equal one credit hour. Classroom instruction should be supplemented with appropriate textbooks, handouts, and other references. Each course must abide by the following framework and classroom time should be allocated percentage timeframes, as indicated:

- Loan Concepts (30%-40%);
- Lending Calculations (10%-15%);
- Applicable Commonwealth of Massachusetts Specific Laws and Regulations (15%-25%);
- Applicable Federal Laws and Regulations (15%-25%); and
- Business Ethics (5%-15%).

Specifically, each course must cover the following applicable laws and regulations, at a minimum:

- | <u>State</u> | <u>Federal</u> |
|---|--|
| • G.L. c. 93 | • Fair and Accurate Credit Transactions Act |
| • G.L. c. 140/D | • Fair Credit Reporting Act |
| • G.L. c. 183/C | • Fair Housing Act |
| • G.L. c. 184 | • Federal Trade Commission's Safeguards Rule |
| • G.L. c. 167 | • Gramm-Leach-Bliley Act |
| • G.L. c. 255F | • Home Ownership and Equity Protection Act |
| • G.L. c. 255F | • HUD Regulation 24 CFR 3500 |
| • RB 5.3-101 | • Regulation B |
| • 209 CMR 32 | • Regulation C |
| • 209 CMR 40 | • Regulation P |
| • 209 CMR 41 | • Regulation X |
| • 209 CMR 42 | • Regulation Z |
| • 209 CMR 53 | |
| • 940 CMR 8 | |
| • Other applicable State and federal laws and regulations | |

At the conclusion of the course, a roster of those students successfully completing the course shall be submitted to the Division of Banks, in a format prescribed by the Commissioner. Additionally, each student successfully completing the requirements of the course shall be provided with a certificate of completion.

To help gauge knowledge of topics addressed in the course, the instructors shall administer a practice examination to students at the conclusion of the course. This examination shall contain a minimum of three to four questions for every one hour of course instruction. This examination will help provide feedback to students and allow for further focus on subject areas that may require additional study.

B. Continuing Education Courses

Each approved course may include or be a combination of audio, classroom, computer-based, correspondence, audio-visual, or textbook instruction. Fifty minutes of course instruction will equal one credit

hour. Although individual courses will vary in content, format, and length, each loan originator licensee must complete at least eight credit hours of continuing education annually as a requirement for re-licensure and maintaining current Division certification. Those individuals that successfully complete the pre-licensure residential mortgage lending course are not required to complete additional continuing education requirements during the calendar year in which the loan originator license is obtained. Continuing education course subjects may include, but are not be limited to the following:

- Appraisals;
- Business Ethics;
- Credit;
- Finance;
- Legal and Regulatory Updates;
- Loan Origination and Processing; and
- Real Estate Contracts.

At the conclusion of the course, a roster of those students successfully completing the course shall be submitted to the Division of Banks.

C. Reciprocity of Approved Courses

If a Division-approved educational provider offers a residential mortgage lending course addressing the concepts and federal laws and regulations noted above or continuing education courses that address the topics identified above and have been approved in other jurisdictions, there is a presumption this course would be approved by the Division. The Massachusetts-specific requirements for the residential mortgage lending course must be addressed to receive full credit and may be completed through or in conjunction with a supplemental course.

D. Application for Approval of Residential Mortgage Lending Course and Continuing Education Courses

As outlined in G.L., c. 255F and this Bulletin, each residential mortgage education course and continuing education course must be approved by the Commissioner. The educational provider must complete the "Application for Approval of Mortgage Loan Originator Educational Courses," meet all requirements set forth in this Bulletin, as well as provide all the necessary documentation set forth below:

- A completed "Application for Approval of Mortgage Loan Originator Educational Courses."
- A non-refundable application fee made payable to the Commonwealth of Massachusetts.
- Latest fiscal year-end balance sheet and income statement of educational provider.
- Required enclosures:
 - Course description with summary outline and objectives;
 - Complete set of materials for curriculum, all teaching aids, books, handouts, pamphlets, and practice examinations with answers;
 - Company outline and history; and
 - Profiles on company principals.

Education providers seeking to apply for approval for both the residential mortgage lending course and continuing education courses are encouraged to apply with a single application. It is required that that application materials be submitted in an electronic media format, preferably a compact disc or USB drive.

1. Course Instructor Requirements

Course instructors must, at a minimum, have five years experience teaching the subject matter or mortgage-related topics or five years in related work experience in mortgage lending, or some combination thereof. Applicants must complete the proper due diligence on course instructors and ensure they meet all standards and requirements outlined in this Bulletin, as well as possess the character, requisite knowledge, and experience to serve in that role.

2. Application Submission, Review, and Approval Process

Upon submission of the required application and supplemental materials, the Division will review the application within 30 days of submission. If the application is deemed incomplete or the Division requires additional information or review, the applicant will be notified and supplemental submissions may be required. All courses meeting standards and criteria set forth in this Bulletin and G.L., c. 255F to the Division's satisfaction will be deemed approved and posted on the Division's website at www.mass.gov/dob. Posting of Division-approved courses does not constitute the Division's endorsement of these or any courses, educational providers, or instructors.

3. Course and Provider Approval and Supplemental Course Submissions

Each course and provider that has met all standards and criteria identified in this Bulletin and G.L., c. 255F to the Division's satisfaction will be notified as approved. The approval will be valid for five years from the date of approval. The Division reserves the right to modify, revoke, or suspend this approval. The Division reserves the right to conduct random reviews or examinations of approved courses at any time.

Approved course providers may submit additional courses for approval within the five year approval period by submitting the required course materials and fee as specified in the "Application for Approval of Mortgage Loan Originator Educational Courses." A full application and the latest fiscal year-end balance sheet and income statement are not required for supplemental filings. Applicants will be required to resubmit full applications for approval upon the expiration of the initial approval of the Commissioner of Banks.

4. Educational Course Changes

The Division understands educational courses frequently require changes in content and materials in order to remain current on evolving topics. As such, the Division requires that 30 days prior to any proposed material or substantive changes to any educational course, the provider shall notify the Division of the proposed change. Additionally, the Division should be notified of significant events or any changes to answers provided to questions in the "Application for Approval of Mortgage Loan Originator Educational Courses."

5. Additional Requirements of Educational Providers

No educational providers or instructors may enroll or grant certificates of completion to employees of said providers. Those employees requiring residential mortgage lending and continuing education courses for Division licensure must obtain education and certification from a Division-approved independent third party provider.

III. HISTORICAL NOTES

This Bulletin was first issued on April 11, 2008.

IV. AUTHORITY

G.L. c. 255F; 209 CMR 41.00, *et seq.*