

Notice Regarding Guidance on Development of NMLS Approved Continuing Education Courses

Purpose

The purpose of this notice is to provide guidance to NMLS approved course providers about how to develop courses that are intended to satisfy the annual continuing education (CE) requirements of the SAFE Act.

Background and Reason for the Notice

The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) requires that state-licensed mortgage loan originators (MLOs) complete 8 hours of annual NMLS approved continuing education (CE) which must include the following topics:

- a. 3 hours of Federal law and regulations;
- b. 2 hours of ethics that shall include instruction on fraud, consumer protection, and fair lending issues;
- c. 2 hours of training related to lending standards for the nontraditional mortgage product market, and
- d. 1 hour of undefined instruction on mortgage origination (commonly referred to as an elective).

It should be noted that the SAFE Act's requirement for state-licensed MLOs to complete 8 hours of annual continuing education is a minimum standard and that individual states, through the passage of their own SAFE legislation, may require MLOs to complete a greater number of hours of education.

After a careful review of a significant number of continuing education courses, NMLS has identified a pattern where a number of course providers are submitting CE courses that are essentially "repackaged" versions of 20 hour pre-licensure (PE) courses that have been previously submitted and approved by NMLS. While there is nothing inherently wrong with leveraging previously approved content to develop another course, the repurposing of content with minimal regard for learning objectives, course rigor, or the SAFE Act's intent for continuing education does create a problem which this notice attempts to address.

Guidance on the Development of Continuing Education (CE) Courses

NMLS interprets the intent of the SAFE Act's requirement for annual continuing education to achieve one of three objectives:

- a. To provide new or updated information on federal and state mortgage-related laws.
- b. To go into more depth or detail on a particular law, regulation, or program than is typically covered during pre-licensure education.

- c. Present a new topic or sub-topic which is different from what is typically presented as part of pre-licensure education and may be of interest/value to a segment of the mortgage industry (e.g. a program pertaining to reverse mortgages).

NMLS has received for approval a number of CE courses that are essentially a “repackaging” of pre-licensure courses that while on the surface provide information, do not achieve any of the objectives listed above. The problem that is created when a typical 20 hour (PE) course is condensed into 8 hours is that the course becomes a broad survey of federal laws, mortgage programs, products, and terms and definitions that, because of time limitations, results in each topic receiving only a few minutes of attention.

To remedy the problem, course providers should design CE course with the intent of achieving one or more of the objectives listed above. For example:

- a. Instead of providing a broad survey of all federal mortgage laws in three hours, the Federal law portion of the course should focus on providing comprehensive instruction on major changes that have been enacted within the past year. This includes (but is not limited to) such items as changes to RESPA, TILA, and the implementation of the new GFE.
- b. As an alternative to providing a broad survey of all federal mortgage laws, some MLOs may be interested in a more comprehensive understanding of just one or two of the federal laws. For example, there is nothing prohibiting a course provider from devoting all three hours of federal laws to RESPA and the new GFE. The same approach could be taken for non-traditional mortgage lending with all 2 hours devoted to single subjects like VA or FHA programs.
- c. A majority of PE courses approved by NMLS focus on those content areas most applicable to preparing an MLO to pass the MLO SAFE test, and follow the national content outline. However, there are a significant number of topics related to residential mortgage loan origination that could benefit the industry and are not currently being taught. Subjects like understanding credit reports, mortgage math, rural and farm loans, or how to assist distressed/delinquent borrowers are all ideal CE course topics. Course providers are encouraged to refer to the *Notice of Mortgage Loan Originator Pre-Licensure and Continuing Education SAFE Act Approved Topic List* for additional course ideas.

When developing courses, course providers are also strongly advised to pay close attention to the course syllabus and associated learning objectives, particularly as they relate to PE and CE. A course syllabus that indicates an MLO will achieve an understanding of RESPA but only allocates 10 minutes of instruction has essentially outlined a non-achievable learning objective with the result being that NMLS will not approve the course. The following scenarios illustrate how learning objectives should be structured using RESPA and the objectives for CE courses listed above as an example:

- a. Scenario 1 – Updated information on federal laws:

3 Hours 2010 Update to Federal Mortgage Laws. Course is intended to provide the student with an understanding of the major changes that were implemented in 2009 and 2010 that industry professionals need to be aware of in the day-to-day performance of work and/or to prepare to take and pass the MLO SAFE test.

Learning objectives:

- Understand the requirements of the Federal SAFE Act and its impact on the industry. 30 minutes
- Review the major changes to RESPA and how they impact the MLO. 30 minutes
- Compare and contrast the old and new Good Faith Estimate and know how to complete the form and explain it to consumers. 30 minutes
- Understand how Yield Spread Premium (YSP) is used on the new GFE and know how to explain it to consumers. 15 minutes
- Become familiar with the changes to Reg Z and its impact on mortgage loan origination. 45 minutes

b. Scenario 2 – Comprehensive understanding of a federal law:

3 Hours Federal Law: Comprehensive Review of RESPA and the New GFE. Course is intended to provide an in-depth review of RESPA and the new GFE that was implemented in 2010. The course will cover recent changes that have been enacted within RESPA, and will compare and contrast the old GFE to the new and explain how information on the form needs to be explained to consumers.

Learning objectives:

- Provide an overview of RESPA and its purpose within the industry. 30 minutes
- Examine critical areas of the law and how it impacts mortgage loan origination. Acquire a deeper understanding for how to complete the HUD-1. Identify areas where errors typically occur and the potential impact of those errors for the company and the consumer. 45 minutes
- Thoroughly review changes to RESPA that have been enacted recently. 45 minutes
- Compare and contrast the old and new GFE and know how to complete it and explain it to consumers. 45 minutes