



NMLS Policy on Approved and Not Approved Topic List for Pre-Licensure and Continuing Education Intended to Satisfy SAFE Act Education Requirements

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Version 2019.0**

Purpose

The purpose of this document is to identify the pre-licensure (PE) and continuing education (CE) topics NMLS has determined will satisfy the education requirements of the SAFE Act. This document also identifies specific topics that are required to be covered as part of annual CE. The required topics for CE are updated annually.

Background and Reason for this Document

In accordance with the SAFE Act, as a condition for acquiring a state-issued MLO license, individuals are required to complete 20 hours of pre-licensure education which shall include 3 hours of Federal Law, 3 hours of Ethics (which shall include fraud, consumer protection, and fair lending), 2 hours of Non-Traditional Mortgage Lending, and 12 hours of undefined education (electives). As a condition to maintain a state-issued MLO license, MLOs are required to complete 8 hours of annual continuing education which shall include 3 hours of Federal Law, 2 hours of Ethics (which shall include fraud, consumer protection, and fair lending), 2 hours of Non-Traditional Mortgage Lending, and 1 hour of undefined education (elective). In addition to the required hours as identified in the SAFE Act, state agencies can also establish additional requirements.

An initial version of this document was published to industry in April 2009, and was amended in 2012, and just included approved and not approved topics. Topics were not identified as being more suitable for PE or CE. This version of the document segments the topics by PE and CE and is intended to help reduce situations where CE is duplicative of PE. It is also intended to align with the new expanded test content outline. Topics have also been included which we believe will help to better inform individuals who are new to the industry of the phases of the mortgage lending process, the role of a mortgage loan originator (MLO), and how various laws and the MLO support consumer protection.

The approved topic list, especially the PE section, includes a significant number of topics and sub-points. We recognize it would be a challenge for any course provider to provide instruction on every point in 20 hours. Accordingly, as a condition for course approval not every topic is required to be included in course content. That said, this document does align with the expanded test content outline and there is an expectation that individuals taking and passing the MLO SAFE Test will possess sufficient knowledge on each of the published topical areas.

In coordination with state regulators and the Multi-State Mortgage Committee (MMC), annual continuing education is required to include specific topics that have been identified as reoccurring problems on mortgage exams. It is the view of NMLS that one of the intentions of the CE requirement of the SAFE Act was to ensure MLOs stay current on issues pertaining to the accepting and negotiating terms of a residential loan application. The topics listed as “required” will need to be covered in the designated calendar year. NMLS is not defining how much time must be spent on each of the required topics nor is it envisioned that the topics will consume the full two or three hours of ethics or federal law. However, with the continued input of state regulators and the

MMC, the topic list will be refreshed during the first quarter of every year and the new topics will be required to be instructed the following year (for example, topics have been identified in the 2019 version of this document are for instruction in 2019; during the first quarter of 2019 new topics will be published for instruction in 2020).

Topic List Quick Links:

[Pre-licensure Education \(PE\) Topic List:](#)

The Course Provider Working Group (CPWG) reviewed the PE topic list on April 18, 2017; the Mortgage Testing and Education Board (MTEB) reviewed and approved the list on April 20, 2017.

[Continuing Education \(CE\) topic list for Annual CE Year 2019:](#)

The Course Provider Working Group (CPWG) reviewed the CE topic list on April 17, 2018; the Mortgage Testing and Education Board (MTEB) reviewed the list on April 19, 2018. The required topics are for CE to be delivered between January 1 and December 31, 2019.

[Continuing Education \(CE\) topic list for Annual CE Year 2020:](#)

The Course Provider Working Group (CPWG) reviewed the CE topic list on February 12, 2019; the Mortgage Testing and Education Board (MTEB) reviewed the list on February 20, 2019. The required topics are for CE to be delivered between January 1 and December 31, 2020.

PRE-LICENSURE EDUCATION (PE) TOPIC LIST

Overview of Mortgage Lending –

- History of the mortgage industry
 - Start of the mortgage industry
 - Events which led to the implementation of the federal laws and need for consumer protection. Role of the Mortgage Loan Originator in consumer protection.
- The positions in the mortgage industry and their roles
 - Definition, job description, and roles of: Mortgage Loan Originator (MLO), Mortgage Broker, Mortgage Banker, Registered Mortgage Loan Originator (RMLO), mortgage lender/funder, mortgage investor, mortgage servicer, mortgage underwriter, mortgage examiner, mortgage regulator.

Regulatory Authority Who Oversee the Mortgage Industry -

- Consumer Financial Protection Bureau (CFPB)
 - Federal oversight of the CFPB
 - Functions performed by the CFPB
 - CFPB oversight authority
 - Filing complaints with CFPB
- Department of Housing and Urban Development (HUD)
 - Primary function of HUD
 - Programs offered by HUD
 - Number of housing agencies required to be listed on the housing counseling disclosure
 - Types of loans that trigger the requirement for a counseling agency to consult with a borrower
 - Entities that HUD oversees
 - Fair Housing Law Protections (e.g., health status, etc.)

Federal Mortgage-Related Laws – Topics intended to satisfy the 3 hours of Federal Law

- Real Estate Settlement Procedures Act (RESPA), 12 CFR Part 1024 (Regulation X)
 - RESPA origins and purpose
 - Knowledge of the prohibitions, limitations and exemptions set by RESPA
 - Types of loans to which RESPA is applicable
 - Settlement services
 - Required disclosures to the customer for an MLO who is also a broker
 - Bona fide discount points and application during a mortgage loan origination
 - Required information from a borrower that must be included on an application (Regulation X)
 - Knowledge of third party settlement service providers
 - Overview of the foreclosure process
 - Initial escrow statements

- Changes that can be made to the HUD-1/Good Faith Estimate
- Issuing a Good Faith Estimate when not all information has been provided
- Equal Credit Opportunity Act (ECOA), 12 CFR Part 1002 (Regulation B)
 - Factors that cannot be used to discriminate
 - Notifying borrower of action taken
 - General permissible acts under the Equal Credit Opportunity Act
 - Circumstances when it is acceptable to deny credit/loan
 - Components of a “notice of adverse action”
 - Definition of “adverse action”
 - General provisions of Regulation B
 - Exceptions to providing the appraisal report
 - “Prohibited Factors”
 - Required disclosures when an application is denied
 - Acceptable terms used to describe marital status
 - Adverse action notice, including when multiple applicants/guarantors are on the loan request
 - Definition of “elderly”
 - “Disparate treatment” scenarios
 - Record retention timelines
 - Requirement for a co-signer
 - Factors considered when determining creditworthiness
 - Types of acceptable income considered in a loan review
 - Requests for missing application information
 - Adverse action scenarios
 - Information required on a loan application
 - Adverse action characteristics
 - Timeframe for sending an adverse action to an applicant
 - Actions an MLO should take when a borrower refuses to provide ethnic, race or gender information
- Truth-in-Lending Act (TILA), 12 CFR Part 1026 (Regulation Z)
 - “Notice of right to rescind”
 - Permissible fees and finance charges
 - Advertisement requirements
 - Knowledge of the core concepts of the Truth-in-Lending Act
 - Total points and fee threshold
 - Definition of “finance charge”
 - Definition of “annual percentage rate”
 - Loans covered by the Truth-in-Lending Act
 - Definition of “business day”

- Permissible annual percentage rate tolerances
- Definition of “dwelling”
- Definition of “residential mortgage loan”
- Definition of “business day” in a mortgage rescission
- Record retention timeframes
- Classifying “seller contributions”
- Refinancing scenarios with rights to rescind certain types of transactions
- Home Ownership and Equity Protection Act – High-Cost Mortgage, HOEPA Sections 32 and 12 CFR Part 1026
 - Minimum term for a balloon payment
 - Examples of “covered loans”
 - What is allowed under HOEPA
 - Limitations on broker fees
 - Entity that enforces HOEPA
 - Types of loans/lines of credit subject to HOEPA
- Higher Priced Mortgage Loans (12 CFR 1026.35)
 - Definition of “high priced/cost mortgage”
 - Prohibitions within “high priced” mortgages
 - Refinance mortgage loans
- Loan Originator Compensation (12 CFR 1026.36(d))
 - MLO compensation basis
 - The rules for who may compensate an MLO
- TILA-RESPA Integrated Disclosure Rule (TRID) (a.k.a “Know Before You Owe”)
 - Prohibitions on discrimination
 - Disclosure timeframes
 - Section on disclosure where origination charges are reflected
 - Affiliated Business Disclosure Special Information Booklet
 - Borrower information included on Regulation Z
 - Record retention
 - Required disclosures
 - Timing of disclosures provided to an applicant
 - Types of permissible fees and finance charges
 - Circumstances under which a Loan Estimate may be amended
 - General information about the TILA-RESPA Disclosure Rule
 - Examples of “change of circumstance”
 - Borrower information that is included on an application
 - Information that must be disclosed to consumers upon request
 - Explanation of an annual percentage rate
 - Party required to provide the Loan Estimate

- Types of loans covered under TILA
- Actions an MLO must take when there is incomplete information on a TRID disclosure
- Scenario violations of TRID
- A borrower's right to rescission
- Definition of loan consummation
- Information that must be disclosed on a Loan Estimate
- Facts about Loan Estimate
- Informing a borrower of other loan considerations
- Charges/fees disclosed
- Information included on a Closing Disclosure
- Information that must be disclosed in an annual escrow statement
- Acceleration definition
- The right to receive an appraisal report
- Home Mortgage Disclosure Act (HMDA), 12 CFR Part 1003 (Regulation C)
 - Mortgages in reportable data
 - HMDA definition of "dwelling"
 - Information included in borrower data
 - Information that a borrower must include on an application
 - Information about which an MLO should not inquire
 - Information provided by the borrower regarding the right of refusal
- Fair Credit Reporting Act (FCRA)/Fair and Accurate Credit Transactions Act (FACTA) 15 USC § 1681 et seq.
 - Definition of a "fraud alert"
 - Information included in a "consumer report"
 - Permissible times when a credit report may be accessed
 - Requirement to develop policies and procedures regarding identity theft
 - Definition of "creditor"
 - Information included in a FACTA disclosure
 - Length of time a bankruptcy will show on a credit history
 - Credit score evaluation methods
- FTC Red Flag rules, 16 CFR Part 681
 - Parties subject to "red flag" rules
 - Enforcement authority for "red flag" rules
- Bank Secrecy Act/Anti-Money Laundering (BSA/AML)
 - Requirement that companies protect consumer information
 - Facts about Suspicious Activity Reports (SARs)
 - Circumstances that require filing a SAR
 - SAR privacy requirements

- Gramm-Leach-Bliley Act (GLB) – Privacy, FTC Safeguard Rules and Do Not Call
 - Non-public information regarding a customer.
 - Permissible use of non-public information regarding a customer
 - Purpose of Act
 - Requirement for written privacy policy disclosures
 - Acceptable delivery methods for a privacy notice
 - Permissible hours for telephone calls
 - Written policies for maintaining Do-Not-Call lists
 - Precautions to protect customer information
 - Purpose of the National Do-Not-Call Registry
 - Permissible solicitation scenarios
 - Do-Not-Call request
 - Retention of information after a solicitation
- Mortgage Acts and Practices – Advertising, 12 CFR Part 1014 (Regulation N)
 - Advertisements referring to specific credit terms
 - Length of time required to retain advertisements
 - Information required to be included in an advertisement
 - Triggering terms that require additional disclosure
 - Violations of the Act
- Electronic Signature in Global and National Commerce Act (E-SIGN Act)
 - Required E-SIGN disclosures
 - Borrower's consent regarding access to information in electronic format
 - Requirements for maintaining records in electronic format
 - Ways to verify a borrower's identity
- USA PATRIOT Act
 - Primary purpose of the Act
 - Major functions of the Act
 - Confidential nature of filing reports
 - Ways to verify a borrower's identity
 - Parties subject to the Act
 - Requirement to have a Customer Identification Program in place and verifying the identities of borrowers
- Homeowners' Protection Act (Private Mortgage Insurance (PMI) Cancellation Act)
 - Major functions of the Act
 - Documents that must be provided to a borrower at loan consummation
- Dodd-Frank Act
 - Re-financing situations
 - Law oversight over TRID

- Independent appraisal requirements

Loan Origination Activities – Topics intended to satisfy the hours of education not specific by the SAFE Act.

Terms used in the mortgage industry

- Loan terms
 - Junior liens
 - Subordinate loans
 - Escrow accounts
 - High priced mortgages
 - Table funding
 - Rate lock agreement
 - Tolerances
 - Legal title granted via a mortgage
 - Types of mortgages a lender cannot be forced to repurchase
 - Facts on liens
 - Delinquent loan
 - High cost loans
 - Early payment default
- Disclosure terms
 - Yield spread premiums
 - High interest rates
 - Federal mortgage loans
 - Qualified mortgage
 - Servicing transfers
 - Lender credits
- Financial terms
 - Discount points
 - 2-1 Buy-down
 - Accrued interest
 - Loan-to-value ratio
 - Settlement
 - Finance charges
 - Loan discount point
 - Debt ratio
 - Daily simple interest
 - Premium pricing
 - Lender credit
- General terms

- Subordination
- Conveyance
- Cash out refinance
- Pre-paids
- Underwriting
- Secondary market
- Third party providers
- Primary mortgage market
- Non-traditional mortgages
- Consumer credit
- Loan payment collection
- Assumable loan
- Examples of origination service
- Assigned loan
- Payment shock
- Annual Percentage Rate (APR)
- Average Prime Offer Rate (APOR)

Loan Inquiry and Application Process Requirements (1003)

- Loan Requirements
 - Information on Form 1003
 - Percentage of bank account assets attributable toward a loan application
 - Handling credit
 - Report discrepancies
 - Acceptable gift donors
 - Information provided to a borrower in response to a loan inquiry
- Loan Inquiry Process
 - Required disclosures that must be provided to a borrower in response to a loan inquiry
 - Application accuracy and required information on an application (e.g., name, SSN, address of property to be financed, estimated property value, income, loan amount)
 - Permissible questions on an application
- Application Process
 - Questions on a Borrower Application
 - How MLOs accept loan applications
 - Offering and negotiating the terms of a loan
 - How MLOs manage information on an application
 - Service charges subject to 10% tolerance
- Verification and documentation
 - Forms used to authorize the release of information

- Methods of verifying income and assets
 - Percentage of bank account assets attributable toward a loan application
- Methods of verifying employment
- Suitability of products and programs
 - Reflecting the type of loan on a mortgage application
- Disclosures
 - Information included in the Truth-in-Lending disclosure
 - Disclosures on Loan Estimates
 - Adjustable-rate mortgage loan disclosures
 - Consumer Handbook on ARMs (Charm booklet)
 - Required disclosures
 - Reverse mortgages
- Accuracy (e.g., tolerances)
 - Scenarios and which allowable tolerance
 - Service charges subject to a 10% tolerance
- Timing
 - Timing of notification of action taken
 - Timing of early disclosures
- Loan Estimate
 - Timeline of when a Loan Estimate must be provided
 - Expiration of charges and terms in a Loan Estimate expire
 - Time from Loan Estimate to loan consummation
 - Exceptions to providing the Loan Estimate
 - Reissuing a Loan Estimate
 - Time period for the delivery of the Affiliated Business Disclosure
 - Time period for the delivery of the Special Information Booklet (Know Before You Owe)
 - Timeframe for the consideration for settlement charge before the expiration
 - Timing of the reissuing Loan Estimates
 - Timeline of the initial Loan Estimate disclosure
 - Timing of providing the appraisal report
 - Timing of tolerance corrections
- Sending a list of counseling services
 - Shopping
- Valid reasons for a Change in Circumstance
- Delivery Method
 - Electronic
 - Face-to-Face
 - Standard Mail

- Overnight Delivery
- Closing Disclosure
 - When applicants entitled to advance inspection of a closing
 - Initial Closing Disclosure
 - Timing of Disclosures
 - Final Closing Disclosure
 - Timeframe of providing an updated closing disclosure
 - Definition of a business day for delivery purposes
- Homeownership Counseling Disclosure

Loan Qualification Requirements, Processing, and Underwriting

Borrower analysis

- Assets
 - Acceptable assets that may be used for a down payment
 - Types of asset classifications
 - Assets permissible to be used toward reserve funds
 - Actions not permitted with respect to Verification of Deposits
- Liabilities
 - Liabilities listed on a loan application
 - Types of liabilities
- Income
 - Documentation required for a self-employed applicant
 - Utilizing capital gains income on an application
 - Types of applicable incomes types for loan qualification
 - Social security and/or disability income that may be applied toward a loan analysis or as qualifying income
 - Documentation of work history and income when there has been an absence in employment over 3 years
 - Calculating monthly income
- Credit report
 - Information included on a credit report
 - Factors used in determining a credit score
- Qualifying ratios
 - Definition of “capacity”
 - Factors when calculating the expense-to-income ratio
 - Loan to value ratios
 - Calculating the debt-to-income ratio
 - Calculating the housing to income ratio
 - Calculating the total debt ratio

- Ability to Repay
 - Factors taken into consideration when reviewing an applicant's ability to repay a loan
 - Methods of verifying income/assets
 - Determining a borrower's ability to repay
 - Allowable debt to income ratio at loan consummation
 - Safe harbor provisions and scenarios
 - Ability to repay scenarios
- Tangible net benefit
- Occupancy types
- Verification of Deposit scenarios
- Appraisals
 - Purpose of appraisals
 - Market approach
 - Income approach
 - Cost approach
 - Market data approach
 - Using comparable information to establish values
 - Requirement/timeline to inform applicant of the right to receive an appraisal
 - Facts on appraisals
 - Definition of "appraisal"
 - Appraisal requirement with a high-risk mortgage
 - Definition of "appraiser"
- Title report
 - Obtaining title reports
 - Timing of title reports and commitments
 - Preliminary Title Reports Cost approach
- Insurance
 - Flood Insurance
 - Designates zones for flood insurance
 - Limits of flood insurance
- Private Mortgage Insurance
 - Purpose of private mortgage insurance
 - Benefits of private mortgage insurance
 - Facts on private mortgage insurance and ratios
 - Requirement guidelines to ending private mortgage insurance
 - Loan to value ratio that triggers private mortgage insurance
- Hazard/Homeowner Insurance
 - Forced-placed insurance

Closing

- Title and title insurance
 - Title insurance coverage
 - Priority in multiple mortgage scenarios
 - Definition of “easement”
 - Encumbrances
 - Reconveyance
- Settlement/Closing agent
 - Borrower/Seller’s ability to review the HUD-1 Settlement Statement
 - Eligible signatures on the security instrument
 - Use of a Power of Attorney (POA)
- Explanation of fees
 - Fees/charges listed on HUD-1 Settlement Statement
 - Title insurance fees
 - Pre-paid fees
 - Types of escrow expenses
 - Examples of Origination fees
 - Loan origination fees
- Explanation of documents
 - Required documents at a closing
 - Required documents when using a property as collateral
 - Note disclosures on a loan
 - Assumption clauses
 - Providing the escrow analysis statement
- Funding
 - When does a rescission period end?
 - Funding regarding rescission periods

Financial Calculations/Mortgage Math/APR

- Periodic Interest
 - Interest rate calculation scenarios
 - General facts
 - Interests per diem facts
- Payments
 - Calculation scenarios for mortgage insurance
 - Calculation scenarios for interest rates
 - Calculation scenarios for monthly payments
 - Calculation scenarios for loan amounts

- Effect of escrow on mortgage
- Order of payments and importance of payments to the underwriting of loan
- Closing Disclosure information
- Down Payments
 - Calculating down payment amounts/percentages
- Loan-to-value ratios
 - Loan-to-value ratio calculation scenarios
- Debt-to-income ratios
 - Debt ratio calculation scenarios
 - Factors in calculating debt ratios
- Discount Points: Fixed interest rate buy-downs
 - Permanent note
 - Definition of “discount point”
 - Discount point calculation scenarios
 - Purpose of discount points
- Closing costs and prepaid items
 - Closing costs/pre-paid items calculation scenarios
 - Hazard insurance collection
- ARMs (e.g., fully indexed rate)
 - Interest rate adjustment calculation scenarios
 - Payment adjustment calculation scenarios
- Qualified Mortgage monthly payment calculations
 - Calculating the debt to income ratio

Traditional and Non-Traditional Mortgage Products – Topics intended to satisfy the 2 hours of Non-Traditional Mortgage Lending

- Conventional/conforming (e.g., Fannie Mae, Freddie Mac)
 - Responsibilities of Fannie Mae
 - Limits on closing cost concessions
 - Fee charges on loans with certain risk characteristics
 - Fannie Mae/Freddie Mac’s automated underwriting systems
 - Requirements when purchasing a non-owner occupied rental property
 - Acceptable down payment amounts
 - Hazard insurance requirements
 - Pre-payment requirements
- Government (e.g., FHA, VA, USDA)
 - Definition of “FHA Mortgage”
 - Facts about FHA loans
 - Definition of “FHA”

- Facts about VA loans
- Prohibition on mortgage insurance
- FHA interest rate calculation scenarios
- Types of government guarantors
- Definition of “entitlement”
- Certificate eligibility requirement
- Acceptable funds for a down payment/closing costs
- Properties eligible for FHA purchase transactions
- FHA loan limits
- VA funding fees
- Upfront mortgage insurance premiums
- Residual income qualification test
- Required documentation
- Monthly mortgage insurance payment scenarios
- Minimum down payment for an FHA loan
- Conventional/nonconforming (e.g., Jumbo, Alt-A)
 - Facts on “jumbo loans”
 - Definition of “non-conforming” loan
 - Examples of “non-traditional loans”
 - Requirements for an escrow account associated with a “high priced loan”
 - Requirements for an escrow account associated with a “high cost loan”
 - Statement on Subprime Lending
 - Definition of “payment shock”
 - Definition of “subprime”
 - Characteristics of ARM loans
 - Definition of a debt-to-income ratio assessment
 - Examples of credit risk characteristics
 - Scenarios to determine when a balloon loan may be appropriate for a borrower
 - Characteristics of subprime borrowers
 - Characteristics of a subprime mortgage
 - Stated income loans
 - Non-income verifying loans
- Guidance on Nontraditional Mortgage Product Risk
 - Characteristics of a non-traditional mortgage loan
 - Risks of non-traditional mortgage products
 - Re-payment capacity of a borrower
 - Identifying the right non-traditional mortgage product for borrowers
 - Communications with consumers regarding non-traditional mortgage products

- Qualified and Non-Qualified Mortgage Programs
 - Features of a “qualified mortgage”
 - Allowable points and fees for qualified mortgages
 - Information used to determine whether a loan is “qualified”
 - Annual percentage rates that make a mortgage “qualified”
 - Categories of qualified mortgages
- Non-qualified mortgage (Non-QM)
 - Features of a non-qualified mortgage
 - Types of non-qualified mortgages

Mortgage loan products

- Fixed
 - Characteristics of a fixed-rate mortgage
 - Comparisons of types of loans (scenarios)
 - Situations that affect a fixed rate mortgage payment
 - Percentage of pay down required to lessen monthly payments
 - Fixed-rate mortgage loan with escrow
- Adjustable
 - Payment options for an adjustable-rate mortgage
 - Facts on margin with respect to adjustable-rate mortgages
 - Facts on the index with respect to adjustable-rate mortgages
 - Definition of “fully indexed rate”
 - Examples of adjustable-rate mortgages
 - Scenarios resulting in a change in monthly payments
 - Facts on ARM loans
 - Fully indexed rate scenarios
 - Scenarios reflecting payments increasing/decreasing on “change date”
 - Timeline for notifying a customer of a rate change
 - Factors when determining interest rates
 - Calculating a borrower’s monthly payment
- Balloon mortgage loan products
 - Facts about balloon mortgages
 - Types of balloon mortgages
 - Lender requirements
 - Scenarios to determine when a balloon loan may be appropriate for a borrower
- Reverse mortgage
 - Facts on reverse mortgages
 - Timeline for calculating interest on home equity conversion mortgage loans

- Payments required after closing on a conversion mortgage loan
- Age requirements for conversion mortgages
- Amount of title insurance
- Facts on “construction-to-permanent” financing programs
- Permissible percentage of total equity allowed for withdrawal
- Scenarios that cause the full balance to become due
- Requirements of reverse mortgage advertisements
- Required disclosures
- Purchase Money Second Mortgages
- Home Equity Line of Credit (HELOC)
 - Examples of open-ended credit loans
 - Characteristics of a HELOC
- Fundamentals of Construction Mortgages
 - Definition of “construction loan”
 - Classifying the disclosure of financing by the same creditor when constructing a home
 - Required payments on a construction loan
- Interest-only Mortgages
 - Facts about interest only loans
 - Facts on interest only payments
 - Facts on interest only mortgages
- Other Mortgage Products

Ethics – Topics intended to satisfy the 3 hours of Ethics, Fraud, and Consumer Protection.

Ethical issues and behavior related to loan origination activities

- Violations of law
 - Violations of Gramm-Leach Bliley Act
- Prohibited acts
 - Examples of “redlining”
 - Acceptable/non-acceptable practices under RESPA
 - Examples of prohibited acts
 - Requests for personal information
 - Examples of “kickbacks”
 - Duties a loan processor may/may not perform
- Predatory lending and steering
 - Definition of “steering”
 - Scenarios surrounding the proper designations of loans and property types
- Fairness Lending
 - Definition of a referral and the required associated disclosures, if necessary

- Coercion scenarios
- Scenarios where the appraiser has a conflict of interest
- Discriminating against an applicant
- Requirement to treat all applicants with the same level of fairness
- Truth in marketing and advertising
 - Scenarios where information is misleading within an advertisement
 - Bait and switch scenarios
 - Performing a due diligence review of advertisements prior to publication
 - Scenarios where “unfair, deceptive, or abusive acts” are undertaken
 - Examples of lawful advertising
 - Types of advertisements that are subject to federal regulations
 - Rules surrounding contact (e.g., “Established business relationship”)
 - Permissible statements/phrases within an advertisement
- Borrower education
- Fraud detection
 - Asset fraud
 - Red flags on a sales contract
 - Application red flags
 - Verifying loan application information
 - Occupancy fraud
 - Income fraud
 - General red flags that could represent fraud
 - Scenarios surrounding a consumer’s bank activity
 - Scenarios where information is not provided to a borrower
 - Employment fraud
 - Liability fraud
 - Suspicious activity
- Financial responsibility
 - Permitted fees, payments, and compensation (e.g., Loan Estimate)
 - Fees that may not increase due to changed circumstances
 - How fees are handled based on the Loan Estimate
 - Closing cost scenarios
 - Settlement scenarios where monies are missing or misused
 - Scenarios surrounding referral fees
 - Splitting fees
- Handling consumer complaints
- Mortgage company compliance
 - Acceptable practices when acting on behalf of a lender

- Acceptable practices regarding appraisals
- Scenarios when an MLO discovers material information that should be conveyed to the lender
- Scenarios surrounding the information supplied by employers
- Requirements for MLOs
- Relationship with consumers
 - Ethical handling of a customer's personal information
 - Down payment scenarios
 - Interest rate adjustment scenarios
 - Power of Attorney (POA) scenarios
 - Permissible reasons for requesting a credit report
 - Scenarios of notifying the underwriter of a change in the borrower's application or status
 - Proper disclosures by MLO if there is a potential conflict of interest
 - Scenarios surrounding situations with borrower's and co-borrower's
 - Permissible acts regarding the appraisal of a client's property
 - Scenarios surrounding situations with borrower's undisclosed income
 - Permissible acts after discovering deposits inconsistent with borrower's income included on application
 - Scenarios involving a gift received by the borrower
 - Scenarios of notifying a loan officer if a borrower has applied with other companies for additional mortgages
 - Scenarios surrounding a borrower providing information on income
 - Cybersecurity scenarios
- General business ethics
 - Scenarios where borrower has provided false information
 - Scenarios where borrower is seeking advice
 - Scenarios where the MLO is falsifying information on behalf of a borrower
 - Providing suitable unsolicited advice to a borrower
 - Scenarios where outside parties/individuals to the loan attempt to obtain information on a loan or about a borrower

Uniform State Content – Topics Intended to Satisfy the Requirements Associated with the Uniform State Test

SAFE Act and CSBS/ARRMR Model State Law

- State mortgage regulatory agencies
 - Regulatory authority
 - Regulatory power
 - Creation and purpose of the NMLS Registry
 - Frequency of investigations and exams

- CFPB authority to conduct exams
 - Continuing education requirements
 - Unique identifiers for MLOs
 - CFPB penalty limits
 - CFPB Loan Originator Rule
 - Authority of state regulator (e.g., audit)
 - Responsibilities and limitations
- Definitions and Documents
 - NMLS
 - SAFE Act
 - Documents to be filed for public record
- License Law and Regulation
 - Minimum requirements for state licensing laws
 - Persons required to be licensed
 - Services conducted by MLOs and the requirement to be licensed
 - Entities required to use MLOs
 - Allowable acts by underwriters
 - Clerical/support duties
 - Loan processors
- Business that individuals may/may not conduct without being licensed as an MLO license
 - General business
 - Non-profit institutions
 - Business purpose loans (e.g., commercial, non-owner)
- Licensee qualifications and application process
 - Pre-licensing education requirements
 - Background checks
 - Requirements to becoming an MLO
 - Managing felony charges
 - Waiting period for test retakes
 - Sponsorship requirement
 - “MLO” and the requirement to be licensed with a state
- Grounds for denying a license
 - Reasons for denying an applicant
- License maintenance
 - Continuing education requirements
 - Renewal period
 - License renewal lengths and minimum standards
 - Continuing education courses approvals

- Withholding a record
- Requirements to re-take exam if individual has been absent from industry
- Requirement to maintain an active license
- Required continuing education hours completed to renew a license
- NMLS requirements
 - Change of employment and updating NMLS
 - Required submissions that applicants must make to the NMLS system
 - Required disclosures to NMLS
 - Requirement to publicly display an NMLS identifier
 - Requirement to include the NMLS identifier in certain situations
 - Licensed non-depository employees' - vs registered depository employees' in NMLS
- Compliance
 - Authority to examine licensee's books and records
 - Prohibited conduct and practices
 - Prohibited acts
 - Requirement to obtain a unique identifier
 - Investigations by state agencies
 - Required conduct
 - Individual responsible for providing documents during a complaint investigation
 - Required information to be maintained in a loan file
 - Assumable mortgage loan products
 - Penalties assessed for failure to conduct certain duties
 - Permissible acts
 - Timeline for submitting books and records to a state regulator
 - General scenarios regarding mortgage loan origination
 - Required information on loan documents
 - Record retention requirements
 - Advertising
 - Requirement to include NMLS unique ID in advertisements

- Detecting and identifying relevant Red Flags
- Actions taken when identity theft occurs
 - Situations of identity theft detected
- Do Not Call – Telemarketing and Consumer Fraud and Abuse Prevention Act 15 USC 6101 et seq.
 - Defining and prohibiting deceptive telemarketing acts
 - Senior citizen and other consumer fraud
 - Scenarios of abusive consumer acts
- Mortgage Acts and Practices – Advertising (Regulation N) 12 CFR 1014
 - Detection of prohibited advertising
 - Other prohibited mortgage acts and practices
- Other topics pertaining to ethics, fraud, and consumer protection.
 - Enforcement actions
 - Marketing agreements
 - Graham, Leach, Bliley Act
 - Predatory lending, particularly in sub-prime market
 - Anti-money Laundering

Traditional and Non-Traditional Mortgage Products – Topics Intended to Satisfy the 2 hours of Non-Traditional Mortgage Lending

- FHA Mortgage Limits and Updates
- CSBS/AARMR Guidance on Nontraditional Mortgage Products Risks
- Other topics pertaining to Non-Traditional Mortgage Products
 - ARM's
 - Negative amortization loans
 - 15 Year Loans
 - Reverse Mortgages
 - VA Loans
 - Rehab Loans
 - Collateral/Portfolio Loans
 - Seller Financing
 - Affordable Housing Programs
 - Non-QM Loans

CONTINUING EDUCATION (CE) APPROVED TOPIC LIST (for Annual CE Year 2020)

Required Topic Background – Who’s Requiring the CE Topics?

- **Required Topic: (review time:2 to 3 minutes)**
 - The Multi-State Mortgage Committee (MMC) is comprised of 10 appointed State Regulator members and one Conference of State Bank Supervisors (CSBS) member. Their role is to implement cooperative protocol between state agencies and the financial industry.
 - The role of the State Regulator’s includes licensing and supervising of state-chartered banks and non-bank entities to include mortgage lenders. They ensure the financial services operates in a safe and sound manner.
 - An examination is completed by State Regulators to determine if a financial institution is operating in compliance with state and federal laws. A review of a financial institutions loans and corporate records are conducted to decide whether the entities are effectively meeting the requirement to operate, monitor, and control risks associated with loan origination activities.
 - For additional information Ref: <https://www.csbs.org/system/files/2019-05/MMC%20Mortgage%20Examination%20Manual%20v2%20-%20May%202019.pdf>

Federal Mortgage-Related Laws – Topics Intended to Satisfy the 3 Hours of Federal Law

Required topics include the most common deficiencies discovered during examinations.

- **Required** Tolerance Violations - Regulation Z, 12 CFR § 1026.19(e)(3)(i) requires an estimated closing cost not exceed the amount originally disclosed, except as otherwise provided by regulation.
 - Purpose: *Creditor failed to cure zero tolerance charge(s) within 60 days of consummation. For charges subject to zero tolerance, any amount charged beyond the amount disclosed on the loan estimate must be refunded to the consumer.*
- **Required** 10% Tolerance Charge(s) - Regulation Z, 12 CFR § 1026.19(e)(3)(ii) requires an estimate be within a 10 percent limitation prescribed by the regulation.
 - Purpose: *Creditor failed to cure 10% tolerance charge(s) within 60 days of consummation. For charges subject to a 10 percent cumulative tolerance, to the extent the total sum of the charges added together exceeds the sum of all such charges disclosed on the loan estimate by more than the 10 percent, the difference must be refunded to the consumer.*
- **Required** Loan Estimates - Regulation Z, 12 CFR § 1026.19(e)(1)(iii) provides that the creditor shall deliver or place in the mail the disclosures required under § 1026.19(e), not later than the third business day after the creditor receives the consumer’s application.
 - Purpose: *Initial Loan Estimates were not delivered to the borrowers within the three-business day timeframe.*
- **Required** Recording Fee Cost on Closing Disclosure -
Regulation Z, 12 CFR § 1026.38(g)(1)(i) states the creditor shall disclose certain information as applicable. Required information includes, under the master heading "Closing Cost Details", all costs in connection with the transaction, including taxes and other government fees.
 - Purpose: *Recording fees would be included as government fees. The Companies*

have failed to include the amount of each type of recording fee in the closing costs details section of the Closing Disclosure.

- **Required** Loan Estimate – Tolerance – Regulation Z, 12 CFR. § 1026.19(e)(3)(i) states that an estimated closing cost disclosed in the Loan Estimate is in good faith if the charge paid by or imposed on the consumer does not exceed the amount originally disclosed for a third-part service the consumer cannot shop for.
 - Purpose: *Companies are failing to disclose properly.*
- **Required** Closing Disclosure - Timing of Delivery - 12 CFR. § 1026.19(f)(1)(i) and (f)(1)(ii)(A) states, in a closed-end consumer credit transaction secured by real property, the creditor shall provide the consumer with the Closing Disclosure form reflecting the actual terms of the transaction and ensure that the consumer receives the Closing Disclosure no later than three business days before consummation.
 - Purpose: *Companies are failing to deliver the Closing Disclosure on time.*
- **Required** Accurately Completing the Closing Disclosure - Regulation Z, 12 CFR., § 1026.38 states that for each transaction subject to 1026.19(f) the creditor shall disclose the information required by subsection 1026.38 including an itemization of origination charges and lender credits. In addition, 1026.38(t)(5) states that the information required to be disclosed by paragraphs (j)—summary of borrower’s transaction—and (k)—summary of seller’s transaction—of this section may be disclosed on separate pages to the consumer and the seller, respectively, with the information required by the other paragraph left blank. The information disclosed to the consumer pursuant to paragraph (j) of this section must be disclosed on the same page as the information required by paragraph (i)—calculating cash to close—of this section.
 - Purpose: *Companies provided borrowers with Closing Disclosures that inaccurately disclosed a Property Inspection Waiver (PIW). The fee is charged to Companies by Fannie Mae when it buys the loan on the secondary market that did not involve an appraisal. Since the PIW fee is a secondary market loan level price adjustment, and not a settlement fee, if the Companies want to pass it through to borrowers it must be included in Section A—Origination Charges—rather than Section B-Services You Cannot Shop For.*

In addition, Companies disclosed borrower good faith deposits as “Lender Credits” on the Closing Disclosure. Lender credits are payments from the creditor to the borrower, not the application of upfront deposits collected from the consumer since these monies are sourced from the borrower not the lender. The good faith deposits from borrowers should be disclosed in the “borrower paid before closing” column on page two of the Closing Disclosure, or they could be disclosed as an “other credit” in section L on page three.

Finally, seller paid closing costs were not disclosed on Closing Disclosures provided to borrowers on purchase transactions. Regulation Z allows specific seller paid costs to be exempted from disclosure on the Closing Disclosure; however, all other charges must be disclosed. For example, Regulation Z, 12 C.F.R., §1026.38(g) states in part: (g) Closing cost details; other costs. Under the master heading “Closing Cost Details” disclosed pursuant to paragraph (f) of this section, with columns stating whether the charge was borrower-paid at or before closing, seller-paid at or before closing [emphasis added], or paid by others, all costs in connection with the transaction, other than those disclosed under paragraph (f) of this section, listed in a table with a heading disclosed as “Other Costs.”

This requirement, along with the limitation on the separation of borrower and seller

information addressed in § 1026.38(t)(5)(v), indicates that seller paid fees such as real estate commissions and escrow fees must be disclosed on page two of the borrower's Closing Disclosure.

- **Required** Kickbacks and Unearned Fees - §1024.14(b) of RESPA states that no person shall give and no person shall accept any fee, kickback, or other thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or part of a settlement service involving a federally related mortgage loan shall be referred to any person. Any referral of a settlement service is not a compensable service.
§1024.14(a) states that any violation of this section is a violation of section 8 of RESPA. Please refer to the Marketing and Advertising findings for more detailed information. Enforcement or administrative actions may result from this violation.
 - Purpose: *Companies who are receiving such prohibited kickbacks and unearned fees may result in a referral to the Non-Depository Supervisory Committee for a multi-state enforcement action. States may also choose to pursue enforcement or administrative actions separately.*
- **Required** Third Party Service Fees in Excess of the Actual Cost - Pursuant to 12 C.F.R. § 1024.14 of RESPA, prohibits a lender from accepting any fees that are not for actual services performed.
 - Purpose: *Companies are charging a Third Party Service Fees in excess of the actual cost. A charge by a person for which no or nominal services are performed or for which duplicative fees are charged is an unearned fee and violates this section.*
- **Required** Consumer's Consent to Receive Electronic Records - 15 U.S.C. § 7001(c)(1) states, information required by law, to be in writing, can be made available electronically to a consumer only if he or she affirmatively consents to receive the information electronically and the business clearly and conspicuously discloses specified information to the consumer before obtaining his or her consent.
 - Purpose: *Companies are failing to properly obtain consumer's consent to receive electronic records.*
- **Required** Appraisal and/or Other Valuation - 12 C.F.R. § 1002.14(a)(1) requires that a creditor provide an applicant a copy of all appraisals and other written valuations developed in connection with an application for credit that is secured by a first lien on a dwelling. A creditor shall provide a copy of each appraisal or other written valuation promptly upon completion, or three business days prior to consummation of the transaction (closed-end credit), whichever is earlier. If the applicant provides a waiver and the transaction is not consummated, the creditor must provide these copies no later than 30 days after the creditor determines consummation will not occur.
 - Purpose: *Companies are not providing an appraisal and/or other valuation properly or timely.*
- **Required** Notice of Action Taken/Content - 12 C.F.R. § 1002.9(a)(2)(i), the Equal Credit Opportunity Act (ECOA), requires a creditor to notify the applicant of the specific reasons for the action taken.
In addition, 12 C.F.R. § 1002.9(b)(2) requires the statement of reasons for adverse action required by paragraph (a)(2)(i) of this section to be specific and indicate the principal reason(s) for the adverse action.
 - Purpose: *Companies are not providing the applicants with specific reasons for an*

action taken.

- **Required** Notice of Action Taken/Timing - 12 C.F.R. § 1002.9(a)(1) requires a creditor to notify the applicant of the action taken within:
 - 30 days after receiving a completed application concerning the creditor's approval of, counteroffer to, or adverse action on the application;
 - 30 days after taking adverse action on an incomplete application, unless notice is provided that the application is incomplete; or
 - 90 days after notifying the applicant of a counteroffer if the applicant does not expressly accept or use the credit offered.
- Purpose: *Companies are not properly notifying an applicant of an action taken within the required timeframe.*
- **Required** Ability to Repay - 12 C.F.R. § 1026.43(c)(1) states, "a creditor shall not make a loan that is a covered transaction unless the creditor makes a reasonable and good faith determination at or before consummation that the consumer will have a reasonable ability to repay the loan according to its term."

In making the repayment ability determination, 12 C.F.R. § 1026.43(c)(2) requires the creditor to consider the following:

The consumer's current or reasonably expected income or assets, other than the value of the dwelling, including any real property attached to the dwelling, that secures the loan;

- If the creditor relies on income from the consumer's employment in determining repayment ability, the consumer's current employment status;
 - The consumer's monthly payment on the covered transaction;
 - The consumer's monthly payment on any simultaneous loan that the creditor knows or has reason to know will be made;
 - The consumer's monthly payment for mortgage-related obligations;
 - The consumer's current debt obligations, alimony, and child support;
 - The consumer's monthly debt-to-income ratio or residual income; and
 - The consumers credit history.
- Purpose: *Companies are not reasonably determining the borrower's ability to repay a loan.*
- **Required** Home Ownership Counseling List - 12 C.F.R. § 1024.20(a)(1) requires a lender, mortgage broker, or dealer to provide to the applicant, not later than three business days after it receives an application, or information sufficient to complete an application, with a clear and conspicuous written list of homeownership counseling organizations. The list must provide relevant counseling services in the loan applicant's location and be obtained no earlier than thirty (30) days prior to the time the list is provided to the applicant.

In addition, 12 C.F.R. §§ 1024.20(a)(1)(i) and (ii) state, the list shall be obtained from either the Web site maintained by the Consumer Financial Protection Bureau (Bureau), or from data made available by the Bureau or the Department of Housing and Urban Development (HUD).

- Purpose: *Companies are failing to properly provide in a timely manner the list of counselors and/or providing an inaccurate list of counselors to an applicant.*
 - *In the loan files reviewed by examiners, it appeared the homeownership counseling was provided, but the list of homeownership counseling*

organizations provided were missing all the required information.

- *The Companies provided applicants with Homeownership Counseling Lists that did not appear to be within the appropriate distance from the applicants.*
- **Required** Provide Adequate Settlement Service Provider List - 12 CFR § 1026.19(e)(1)(vi)(C) requires the creditor to give the consumer a written list of settlement service providers of which the creditor is permitting them to shop for.
 - Creditor must identify at least one available provider for each service for which the consumer is permitted to shop
 - Written list must be disclosed pursuant to 12 CFR § 1026.37(f)(3)
 - Provide sufficient information to allow consumer to contact the provider
 - Include statement that consumer may choose a provider that is not included on the list
 - Must be provided to consumer within three days of application
 - Purpose: *Creditor failed to provide an adequate settlement service provider list to the consumer.*
- **Required** Disclose Additional Credit Terms in Advertisements - Regulation Z, 12 C.F.R., § 1026.24(d) states that if an advertisement includes any of the following terms:
 - the amount or percentage of any down payment;
 - the number of payments or period of repayment; or
 - the amount of any payment or the amount of any finance charge is disclosed then the advertisement shall also state the amount or percentage of the down payment, the terms of repayment, and the annual percentage rate using that term and if the rate may be increased after consummation.
 - Purpose: *Companies failed to disclose additional credit terms in advertisements to the consumer.*
- **Required** Accurately Complete the Privacy Policy Informational Purposes Only - Regulation P, 12 C.F.R., § 1016, Appendix A – Model Privacy Form states that the model privacy form is a standardized form, including page layout, content, format, style, pagination, and shading. Institutions seeking to obtain the safe harbor through use of the model form may modify it only as described in the instructions.
 - Purpose: *Companies have failed to accurately complete the Privacy Policy Informational Purposes Only form.*
- **Required** Privacy Policies - 12 C.F.R. § 1016.4(a) requires each financial institution to provide a clear and conspicuous notice that accurately reflects the institution's privacy policies and practices at the time of establishing a customer relationship.

12 C.F.R. § 1016.9(a) requires privacy and opt out notices to be provided so that each consumer can reasonably be expected to receive actual notice in writing or electronically, if the consumer agrees.

 - Purpose: *Financial Institutions are failing to provide clear and conspicuous notices that accurately reflect the policies and practices of the institution. Additionally, along with the requirement of the privacy policy, the opt out notices are not being provided to the consumer.*
- Higher Priced Mortgage Loans (12 CFR 1026.35)
 - Prohibitions within “high priced” mortgages

- Refinance mortgage loans
- Equal Credit Opportunity Act (ECOA) 12 CFR 1002 (Regulation B)
 - Factors that cannot be used to discriminate
 - Notifying borrower of action taken
 - Permissible acts under the Equal Credit Opportunity Act
 - Circumstances when it is acceptable to deny credit/loan
 - Components of a “notice of adverse action”
 - “Disparate treatment” scenarios
 - Factors considered when determining creditworthiness
 - Types of acceptable income considered in a loan review
 - Adverse action scenarios
- Privacy of Consumer Financial Information 12 CFR 1016 (Regulation P) / 16 CFR 313
 - Conditions which a financial institution may or may not disclose nonpublic information
 - Defining when an individual is a consumer or a customer
 - Identifying the difference between customer relationships vs. consumer relationships
 - Privacy and “Opt out” notices for consumer or customer
- Other Federal laws pertaining to loan origination activities.

Ethics – Topics intended to Satisfy the 2 Hours of Ethics, Fraud, and Consumer Protection.

- Identity Theft Rules 16 CFR 681
 - Identity theft program
 - Elements of the program to detect and prevent identity theft
 - Detecting and identifying relevant Red Flags
 - Actions taken when identity theft occurs
 - Situations of identity theft detected
- Do Not Call – Telemarketing and Consumer Fraud and Abuse Prevention Act 15 USC 6101 et seq.
 - Defining and prohibiting deceptive telemarketing acts
 - Senior citizen and other consumer fraud
 - Scenarios of abusive consumer acts
- Mortgage Acts and Practices – Advertising (Regulation N) 12 CFR 1014
 - Detection of prohibited advertising
 - Other prohibited mortgage acts and practices
- Other topics pertaining to ethics, fraud, and consumer protection.
 - Enforcement actions
 - Marketing agreements
 - Graham, Leach, Bliley Act
 - Predatory lending, particularly in sub-prime market
 - Anti-money Laundering

Traditional and Non-Traditional Mortgage Products – Topics Intended to Satisfy the 2 hours of Non-Traditional Mortgage Lending

- FHA Mortgage Limits and Updates
- CSBS/AARMR Guidance on Nontraditional Mortgage Products Risks
- Other topics pertaining to Non-Traditional Mortgage Products
 - ARM's
 - Negative amortization loans
 - 15 Year Loans
 - Reverse Mortgages
 - VA Loans
 - Rehab Loans
 - Collateral/Portfolio Loans
 - Seller Financing
 - Affordable Housing Programs
 - Non-QM Loans

NON-APPROVED TOPIC LIST

The following course topics have been determined to not be not in compliance with the SAFE act:

- Any course not directly tied to the negotiating, taking, and processing of a residential loan application.
- General Self-Improvement Courses
- Financial Planning Courses
- Any course relating to selling, sales, marketing, lead-generation, or business development
- Loan product training (loan sales, product marketing, or advertising)
- Any course topics related to consumer data mining, market segmentation, or minority marketing practices
- Any information technology-related course
- Commercial lending
- Courses on any Federal or State law not directly tied to residential mortgage lending