PENNSYLVANIA MORTGAGE BROKER LICENSE
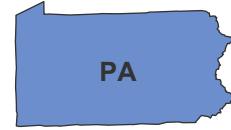
Who is required to have this license?

Any entity (an individual, association, joint venture or joint-stock company, partnership, limited partnership, limited partnership association, limited liability company, business corporation, non-profit corporation, or any other group of individuals, however organized) who engages in the mortgage loan business by directly or indirectly negotiating or placing mortgage loans for others in the primary market for consideration.

A license is required for any entity who either engages in the mortgage loan business with a Pennsylvania consumer from any location or from a Pennsylvania location to any consumer. The Pennsylvania Mortgage Act describes a mortgage loan as a first or secondary mortgage loan, or both. A first mortgage loan is described in the Pennsylvania Mortgage Act as a loan which is made primarily for personal, family, or household use; and is secured by any first lien mortgage, deed of trust, or equivalent consensual security interest on a dwelling or residential real estate. A secondary mortgage loan is similarly described in the Pennsylvania Mortgage Act except that the loan is secured by a secondary lien instead of a first lien.

Who does not need this license?

Examples are provided below of entities that are completely exempt from a mortgage licensing requirement, including the requirement of licensing their mortgage originators:

- attorneys at law who do not hold themselves out to the public as engaging in the mortgage loan business and who are not compensated by a company or individual in the mortgage business
- banking institutions and their subsidiaries, and credit unions; however, their employed mortgage originators must **register** (not license) through NMLS according to regulations to be issued by federal regulatory agencies
- registered mortgage loan originators who are employees of banking institutions, credit unions or their subsidiaries
- loan processors and underwriters solely performing clerical or supportive functions if employed by a mortgage licensee or entity exempt from licensure
- employees of a mortgage business who only re-negotiate existing mortgage loans held or serviced by his or her employer unless determined otherwise by HUD or a court of competent jurisdiction
- an individual or entity solely involved in offering to make or negotiating extensions of credit relating to timeshare plans
- A person who originates or negotiates less than four mortgage loan s in a calendar year, unless determined to be engaged in the mortgage loan business by the department.
- agencies of the federal government or a corporation created by an act of the United States Congress (e.g. Fannie MAE, Ginnie MAE, FHA, VA, or FHLM)
- agencies of state or local government including PHFA or other government finance agencies

Examples are provided below of business entities that are partially exempt from licensure but must either maintain bond coverage for its licensed mortgage originators and file an annual report with the Department through the NMLS or demonstrate, in a form acceptable to the department, that all mortgage originators employed by the entity have obtained and maintained bond coverage:

- affiliates of banking institutions or state and federally chartered credit unions
- subsidiaries of credit unions; however, their employed mortgage originators must register (not license) through NMLS according to regulations to be issued by federal regulatory agencies
- consumer discount companies.
- A bona fide nonprofit organization and employees of the organization acting within the scope of their employment. (not required to provide bond coverage)
- An installment seller of, or holder of installment sales contracts secured by, manufactured homes who is licensed under the act of June 28, 1947 (P.L.1110, No.476), known as the Motor Vehicle Sales Finance Act, provided the installment seller or holder only engages in the mortgage loan business regarding installment sales contracts secured by manufactured homes that are purchase-money mortgage loans.
- A non-originating person deemed to be engaged in the mortgage loan business by the department.

With the exception of Consumer Discount Companies, partially exempt entities maintaining a bond covering their mortgage originators must file an annual report through the NMLS, and therefore must be registered as a "Partially Exempt Mortgage Company" on the NMLS. There is no state registration fee associated with using the NMLS for this registration and doing so will provide the partially exempt entity with enhanced oversight of the status of their mortgage originators licenses. It will further relieve the mortgage originators employed by the partially exempt entities from the requirement to provide verification of employment to the Department.

Consumer Discount Companies engaged in the mortgage business must be licensed as a Mortgage Consumer Discount Company through NMLS and provide bond coverage for their mortgage originators.

What are the pre-requisites for license applications?
- Financial Statements:
    - Provide previous fiscal year financial statement (audited or unaudited if certified by executive officer).
    - All financial statements must be prepared in accordance with Generally Accepted Accounting Principles.
    - Financial statements should include a Balance Sheet, Income Statement and Statement of Cash Flows and all relevant notes thereto.
    - If applicant is a start-up company, only an initial Statement of Condition is required.
- Bond amount: $100,000 (only if accepting advance fees).
- Bond amount: Obtain and maintain a bond in the amount that will provide coverage for the mortgage originators employed by the company based upon total Pennsylvania loan volume.

Bond Amount	Anticipated or Actual Amount of PA Mortgage Loan Originations
$50,000	$14,999,999.99 or less
$75,000	$15,000,000 - $29,999,999.99
$100,000	$30,000,000 – $49,999,999.99
$150,000	$50,000,000 or more

- Criminal background check for company owners and officers

- Credit check for company owners and officers
- Tax Certification for company owners and officers
- Education and Testing: Pre-licensing education and testing is required for at least one qualifying individual of a mortgage broker company. Pre-licensing education courses and tests will be reviewed and approved by the NMLS and only NMLS approved course providers and testers will be accepted. Approved course providers and testers will be published on the NMLS website.

  The 20 hours of pre-licensing education requirement for mortgage originators and a mortgage company applicant have a national element and a Pennsylvania-specific element. Pre-education courses must contain the below subject areas:
  - 3 hours of federal law and regulation
  - 3 hours of ethics, consumer protection and fair lending
  - 2 hours of lending standards for the non-traditional mortgage marketplace
  - 3 hours of Pennsylvania law and regulations
  - 9 hours of elective courses related to the mortgage industry

  The pre-licensing test requirement will be administered by a NMLS approved test provider and the test will measure the applicant's knowledge and comprehension in the subject areas of ethics and state/federal mortgage laws and regulations. In order to satisfy the pre-licensing test requirement, the following condition must be met: Passing score on the National test component which includes the uniform state content. NMLS must indicate compliance with this requirement.

- **WHO TO CONTACT –** Contact the Pennsylvania Department of Banking and Securities, Non-Depository licensing staff by phone at (717) 787-3717 or send your questions via e-mail to ra-asklicensing@pa.gov, for additional assistance.