

MORTGAGE LENDING UPDATE

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Loan Officer Licensing

Be careful what you wish for. Sometimes you'll get it in spades. I have long lamented on these pages that all it takes in Georgia to become an official "Mortgage Loan Officer" is to be employed by a mortgage lender and then purchase a box of business cards. The "loan officer" could have been an "Ice cream scoop technician" at your local ice cream parlor the week before.

On July 30, 2008, President Bush signed into law the Housing and Economic Recovery Act of 2008. Title V of this Act was The Secure and Fair (remember the word "fair") Enforcement Mortgage Licensing (SAFE) Act of 2008. (Mortgage lending companies, but not individuals, operating in Georgia must have been registered or licensed by the Georgia Department of Banking and Finance beginning in 1993.)

Under legislation recently passed by the Georgia Legislature to implement provisions of the SAFE Act in Georgia, all mortgage loan originators must either be "registered" or "licensed" via the Nationwide Mortgage Licensing System and Registry (NMLS). NMLS increases the amount of and centralizes information available to state regulators, consumers and others in the mortgage industry about the individuals and companies that originate home mortgages, in order to protect consumers and bring greater accountability and transparency to the mortgage industry.

Registrants are those individual mortgage loan officers employed by (or by entities owned by) banks, credit unions, or savings and loan associations, whose deposits are federally insured. Everyone else is required to be licensed. If the loan officer is a Registrant (i.e., works for a bank or credit union), there are no education requirements, testing of knowledge, years of experience, surety bonding or credit checks required by statute, but those things certainly may be required by their employer.

If, however, the loan officer is employed by a mortgage broker or independent mortgage lender, well, apparently that's a horse of a completely different color. These individuals are required to be "licensed". To be a Licensee, the individual must initially undergo 20 hours of mortgage specific education, score 75% or better on a standardized mortgage rules and regulations test, be covered by a surety bond, pass a personal credit check, and also undergo a criminal background check. If the Licensee applicant is found to be a felon, or past due on child support or school loans, or owes an unpaid judgment, or previously lost their residence to foreclosure, they won't be approved.

Not that all of the above is bad news, but the disparate licensing requirements of loan officers based upon their employer type, to me at least, seems to be somewhat perplexing, especially when you are told the projected cost of licensure is between \$500 to \$700 for the first year and between \$300 to \$400 for each subsequent year. Registration only, on the other hand, for bankers and credit union employees will cost much, much less.

Now this just may be me, but there seems to be some pervasive concern or thought or assumption in the air that mortgage brokers and not mortgage bankers were responsible for the sub-prime lending crisis which precipitated our national housing crises. It seems as though when the term "sub-prime" is mentioned, it's followed with the term "mortgage broker". As a mortgage broker myself, I beg to differ.

According to a recent report compiled by the Center for Public Integrity (www.publicintegrity.org), "The top subprime lenders whose loans are largely blamed for triggering the global economic meltdown were owned or bankrolled by banks now collecting billions of dollars in bailout money — including several that have paid huge fines to settle predatory lending charges." These lenders include Countrywide, now owned by Bank of America, Wells Fargo, HSBC, JP Morgan Chase, Citigroup and Wachovia.

Don't get me wrong. I have good, intelligent and ethical friends in this business who work for banks and credit unions. I was a banker in a former life. Just don't rely on that criterion alone when choosing a mortgage lender. Make sure they're members of the Mortgage Bankers Association of Georgia. See member companies at mbag.org.

And mortgage brokers will absolutely meet our more stringent licensing requirements. Simply because we can.

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