

Recent (May 2007) Legislative Changes Concerning Residential Mortgage Originators

On May 8, 2007, the omnibus bill Senate File No. 2096 was signed into law by Governor Pawlenty. The bill contains a variety of legislative changes, including significant changes to Chapter 58, the Minnesota Mortgage Originator and Servicer Licensing Act. The full text of the bill is available via the Internet¹. The portions of the bill pertaining to Chapter 58 are lines 184.4 to 188.10, 222.12 to 222.14 and 222.20 to 222.21.

The bill's effective date is August 1, 2007, but several of the provisions have a later effective date.

Beginning August 1, 2007, an applicant for a residential mortgage originator license must be a corporation or other business entity and must have one of the following: (1) approval as a mortgagee by either HUD or FNMA; (2) tangible net worth of \$250,000; or (3) a \$50,000 surety bond or letter of credit, and meet other requirements in order to obtain a license. After July 31, 2007, the Department will no longer license natural persons as residential mortgage originators. Likewise, exemption from licensure for certain real estate agents and insurance agents will not be available after July 31, 2007. The Department will be consulting with surety bond providers concerning a bond form that will meet the requirements.

The fee for an initial mortgage originator license has been increased from \$850 to \$2,125 and the renewal fee has been increased from \$450 to \$1,125, effective August 1, 2007.

The July 31, 2007 renewal date for mortgage originators who are already licensed has been pushed back to October 30 to enable licensees to meet the new licensing requirements. There is no grandfathering of existing licensees.

¹ Go to <http://www.leg.state.mn.us/> and click on the "Senate" icon. Make sure to select "Regular Session" in the box under the word "Legislation." Then insert sf2096 in the get bill box, then click on go, then click on "text." Make sure you are viewing the 3rd Engrossment. Then scroll down to lines 184.4 through 188.10, 222.12 through 222.14, and 222.20 through 222.21.

The bill also provides for 15 hours of educational training covering state and federal laws for all individuals engaged in residential mortgage origination which must be completed by March 1, 2008. Provided that the training meets the statutory requirements, the Department will give credit for training completed within 24 months prior to the August 1, 2007 effective date of the statute. Likewise, courses approved by other states may qualify for satisfying at least part of the educational requirement.

Natural persons, including independent contractors, who are employed as mortgage originators by licensees and exempt entities, are not required to be licensed; however, the entity employing them must maintain a perpetual list of these individuals, perform background checks on these individuals, assure compliance with the prohibition contained in Section 58.125 and assure that the individuals have completed the education requirement.

Additional more specific information will be mailed to licensees in the coming weeks.