



# Bankers Advisory

## COMPLIANCE MONITOR

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### *California Amends Mortgage Loan Originator Education Requirements*

**By Lee Greenberg, J.D.**

The state of California recently amended provisions regarding mortgage loan originator education requirements in Senate Bill No. 1459. The new legislation becomes effective on January 1, 2015.

Under the law, an applicant for a mortgage loan originator license is required to complete at least 20 hours of approved prelicensing education. Prelicensing education courses must be reviewed and approved by the NMLSR. Education may be offered either in a classroom, online or by any other approved means. Education requirements approved by the NMLSR for any state other than California are accepted as credit toward completion of prelicensing education requirements in California.

The law states that the prelicensing education must include at least the following:

- Three hours of instruction on federal law and regulations;
- Three hours of ethics, including instruction on fraud, consumer protection and fair lending;
- Two hours of training related to lending standards for the nontraditional mortgage product marketplace; and
- Two hours of training related to relevant California law and regulations.

In addition, the law requires an applicant for a mortgage loan originator license to pass a qualified written test developed or deemed acceptable by the NMLSR. An individual will not be considered to have passed a qualified written test unless the individual achieves a test score of not less than 75 percent of correct answers to questions. An individual who fails the test may retake the test up to three consecutive times, although at least 30 days must pass between each retesting. If an applicant fails the test three consecutive times, he or she is required to wait at least six months before retesting. According to the law, a written test must adequately measure the applicant's knowledge and comprehension in appropriate subject areas, including:

- Ethics;
- Federal law and regulation relating to mortgage origination;
- State law and regulation relating to mortgage origination; and
- Federal and state law and regulation, including instruction on fraud, consumer protection, the nontraditional mortgage marketplace, and fair lending issues.

Lastly, the new law requires licensed mortgage loan originators to complete at least eight hours of approved continuing education each year. A licensed mortgage loan originator may only receive credit for a continuing education course in the year in which the course is taken and may not take the same approved course in the same or successive years to meet the annual requirements for continuing education. A person who has successfully completed continuing education requirements approved by the NMLSR for any state other than California will be granted credit toward completion of continuing education requirements in California. The continuing education must include at least the following:

- Three hours of instruction on federal law and regulations;
- Two hours of ethics, including instruction on fraud, consumer protection and fair lending issues;
- Two hours of training related to lending standards for the nontraditional mortgage product marketplace; and
- One hour of training related to relevant California law and regulations.



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