

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

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HOUSE DRH70374-ROF-11 (03/10)

Short Title: S.A.F.E. Mortgage Licensing Act.

(Public)

Sponsors: Representative Blue.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO REWRITE THE NORTH CAROLINA MORTGAGE LENDING ACT IN
ORDER TO CONFORM TO THE REQUIREMENTS OF FEDERAL LAW.

Whereas, the General Assembly finds that activities of mortgage loan originators and the origination or offering of financing for residential real property have a direct, valuable, and immediate impact upon this State's consumers, this State's economy, and the neighborhoods and communities of this State, and the housing and real estate industry; and

Whereas, North Carolina has licensed mortgage loan originators and companies that employ them since 2002, and such licensure has been essential for the protection of the citizens of the State and the stability of the State's economy; and

Whereas, this legislation is necessary to bring North Carolina's mortgage lending laws into compliance with the Housing and Economic Recovery Act of 2008, Public Law 110-289, Title V, enacted by Congress and signed into law on July 30, 2008; Now, therefore, The General Assembly of North Carolina enacts:

SECTION 1. Article 19A of Chapter 53 of the General Statutes is repealed.

SECTION 2. Chapter 53 of the General Statutes is amended by adding a new Article to read:

"Article 19B.

"The Secure and Fair Enforcement Mortgage Licensing Act.

"§ 53-244.010. Title.

This act may be cited as the "North Carolina Secure and Fair Enforcement (S.A.F.E.) Mortgage Licensing Act."

"§ 53-244.020. Purpose and construction.

(a) Purpose. – A primary purpose of this Article is to protect consumers seeking mortgage loans and to ensure that the mortgage lending industry operates without unfair, deceptive, and fraudulent practices on the part of mortgage loan originators. Therefore, the General Assembly establishes within this Article an effective system of supervision and enforcement of the mortgage lending industry by giving the Commissioner of Banks broad administrative authority to administer, interpret, and enforce this Article and adopt rules implementing this Article in order to carry out the intentions of the General Assembly.

(b) Construction. – It is the intent of the General Assembly that provisions of this Article be liberally construed to effect the purposes stated or clearly encompassed by the Article.

"§ 53-244.030. Definitions.

For purposes of the Article, the following definitions apply:



- 1 (1) "Affiliate" means any company that controls, is controlled by, or is under
2 common control with another company, as set forth in the Bank Holding
3 Company Act of 1956 (12 U.S.C. § 1841, et seq.), as amended from time to
4 time.
- 5 (2) "Audited Statement of Financial Condition" means a statement of financial
6 condition prepared in accordance with generally accepted accounting
7 principles and certified by a certified public accountant as fairly and
8 accurately reflecting financial condition of the licensee as of the date
9 specified in the statement.
- 10 (3) "Branch manager" means the individual who is assigned to, is in charge of,
11 and is responsible for the business operations of a branch office of a
12 mortgage broker or mortgage lender.
- 13 (4) "Branch office" means an office of a mortgage broker or mortgage lender
14 that is separate and distinct from the mortgage broker's or lender's principal
15 office and from which its employees engage in the mortgage business. A
16 branch office shall not be located at an individual's home or residence.
- 17 (5) "Certified Statement of Financial Condition" means a statement of financial
18 condition prepared in accordance with generally accepted accounting
19 principles and certified by the preparer or licensee as fairly and accurately
20 reflecting the financial condition of the licensee as of the date specified in
21 the statement.
- 22 (6) "Commissioner" means the North Carolina Commissioner of Banks and the
23 Commissioner's designees.
- 24 (7) "Control" means the power, directly or indirectly, to direct the management
25 or policies of a company, whether through ownership of securities, by
26 contract, or otherwise. Any person that (i) is a director, general partner, or
27 executive officer; (ii) directly or indirectly has the right to vote ten percent
28 (10%) or more of a class of voting security or has the power to sell or direct
29 the sale of ten percent (10%) or more of a class of voting securities; (iii) in
30 the case of a limited liability company, is a managing member; or (iv) in the
31 case of a partnership, has the right to receive upon dissolution, or has
32 contributed, ten percent (10%) or more of the capital, is presumed to control
33 the company.
- 34 (8) "Depository institution" has the same meaning as in section 3 of the Federal
35 Deposit Insurance Act, and includes any credit union whose share and
36 deposit accounts are insured by the National Credit Union Administration
37 under the Federal Credit Union Act.
- 38 (9) "Dwelling" means a residential structure that contains one to four units,
39 whether or not that structure is attached to real property. The term includes
40 an individual condominium unit, cooperative unit, manufactured home,
41 mobile home, or trailer if it is used as a residence.
- 42 (10) "Engaging in the mortgage business" means:
- 43 a. For compensation or gain, or in the expectation of compensation or
44 gain, either directly or indirectly, to accept or offer to accept an
45 application for a residential mortgage loan from prospective
46 borrowers, solicit or offer to solicit a residential mortgage loan from
47 prospective borrowers, negotiate the terms or conditions of a
48 residential mortgage loan with prospective borrowers, issue
49 residential mortgage loan commitments or interest rate guarantee
50 agreements to prospective borrowers, or engage in tablefunding of
51 residential mortgage loans, whether any such acts are done through

- 1 contact by telephone, by electronic means, by mail, or in person with
2 the borrowers or prospective borrowers.
- 3 b. To make or fund, or offer to make or fund, or advance funds on
4 residential mortgage loans for compensation or gain, or in the
5 expectation of compensation or gain.
- 6 c. To engage, whether for compensation or gain from another or on
7 one's own behalf, in the business of receiving any scheduled periodic
8 payments from a borrower pursuant to the terms of any residential
9 mortgage loan, including amounts for escrow accounts, and making
10 the payments of principal and interest and such other payments with
11 respect to the amounts received from the borrower as may be
12 required pursuant to the terms of the residential mortgage loan, the
13 residential mortgage loan servicing documents, or servicing contract,
14 or otherwise to meet the definition of the term "servicer" in 12 U.S.C.
15 § 2605(i)(2) with respect to residential mortgage loans.
- 16 (11) "Employee" means an individual who has an employment relationship with a
17 mortgage broker, mortgage lender, or mortgage servicer and who is treated
18 as a common law employee for purposes of compliance with the federal
19 income tax laws and whose income is reported on IRS Form W-2.
- 20 (12) "Federal banking agencies" means the Board of Governors of the Federal
21 Reserve System, the Office of the Comptroller of the Currency, the Office of
22 Thrift Supervision, the National Credit Union Administration, and the
23 Federal Deposit Insurance Corporation.
- 24 (13) "Immediate family member" means a spouse, child, sibling, parent,
25 grandparent, or grandchild, or the spouse of an immediate family member.
26 This term includes stepparents, stepchildren, stepsiblings, and adoptive
27 relationships.
- 28 (14) "Individual" means a natural person.
- 29 (15) "Licensee" means a mortgage loan originator, mortgage broker, mortgage
30 lender, or mortgage servicer or other person who is licensed pursuant to this
31 Article.
- 32 (16) "Loan processor or underwriter" means an individual who performs clerical
33 or support duties as an employee at the direction of and subject to the
34 supervision and instruction of a person licensed or exempt from licensing
35 under this Article. Clerical or support duties may include, subsequent to the
36 receipt of an application:
- 37 a. The receipt, collection, distribution, and analysis of information
38 common for the processing or underwriting of a residential mortgage
39 loan; and
- 40 b. Communicating with a consumer to obtain the information necessary
41 for the processing or underwriting of a loan, to the extent that such
42 communication does not include offering or negotiating loan rates or
43 terms or counseling consumers about residential mortgage loan rates
44 or terms.
- 45 Any person who represents to the public, through advertising or other means
46 of communication, or provides information, including the use of business
47 cards, stationery, brochures, signs, rate lists, or other promotional items, that
48 the individual can or will perform any of the activities of a mortgage loan
49 originator shall not be deemed to be a loan processor or underwriter under
50 this definition.

- 1 (17) "Loss mitigation specialist" means an employee of a mortgage servicer
2 authorized to (i) collect or receive payments, including payments of
3 principal, interest, escrow amounts, and other amounts due on existing
4 residential mortgage loans due and owing to the licensed lender or servicer
5 when the borrower is in default or in reasonably foreseeable likelihood of
6 default, (ii) work with the borrower to collect data, and (iii) make decisions
7 necessary to modify, either temporarily or permanently, certain terms of
8 those residential mortgage loans or to otherwise finalize collection through
9 the foreclosure process. Such decisions shall include any change in the
10 principal amount of the debt, the rate of annual interest charged, the term of
11 the loan, the waiver of any fees or charges, including late charges, the
12 deferral of payments, or any other similar matter.
- 13 (18) "Make a residential mortgage loan" means to advance funds, to offer to
14 advance funds, to make a commitment to advance funds to a borrower under
15 a mortgage loan, or to fund a residential mortgage loan.
- 16 (19) "Mortgage broker" means a person engaged in the mortgage business as
17 defined in sub-subdivision a. of subdivision (10) of this section.
- 18 (20) "Mortgage lender" means a person engaged in the mortgage business as
19 defined in sub-subdivision a. of subdivision (10) of this section. However,
20 the definition does not include a person who acts as a mortgage lender only
21 in a tablefunding transaction.
- 22 (21) "Mortgage loan originator" means:
- 23 a. An individual who for compensation or gain or in the expectation of
24 compensation or gain, whether through contact by telephone, by
25 electronic means, by mail, or in person with prospective borrowers,
26 either:
- 27 1. Takes a residential mortgage loan application or offers or
28 negotiates terms of a residential mortgage loan,
- 29 2. Accepts or offers to accept applications for mortgage loans,
- 30 3. Solicits or offers to solicit a mortgage loan,
- 31 4. Negotiates the terms or conditions of a mortgage loan, or
32 5. Issues mortgage loan commitments or interest rate guarantee
33 agreements to prospective borrowers.
- 34 b. The term includes an individual acting solely as a loss mitigation
35 specialist if the United State Department of Housing and Urban
36 Development issues a guideline, rule, regulation, or interpretative
37 letter that such individuals are loan originators as the term is defined
38 by § 1503 of Title V of the Housing and Economic Recovery Act of
39 2008, Public Law 110-289, and only to the extent of such an issuance
40 or determination.
- 41 c. The term does not include:
- 42 1. An individual engaged solely as a loan processor or
43 underwriter;
- 44 2. A person or entity that only performs real estate brokerage
45 activities and is licensed or registered as such in accordance
46 with State law, unless the person or entity is compensated by
47 a mortgage lender, a mortgage broker, or other mortgage loan
48 originator or by any agent of a mortgage lender, mortgage
49 broker, or other mortgage loan originator;

- 1 3. A person or entity solely involved in extensions of credit or
- 2 sale of time share instruments relating to time share plans, as
- 3 that term is defined in G.S. 93A-41(9a); or
- 4 4. An individual who only informs a prospective borrower of
- 5 the availability of persons engaged in the mortgage business,
- 6 does not take or assist in the completion of a loan application,
- 7 does not discuss specific terms or conditions of a mortgage
- 8 loan, and does not receive direct or indirect compensation
- 9 based on the approval or closing of the mortgage loan. The
- 10 taking of basic preapplication information for facilitating a
- 11 residential mortgage loan transaction, such as the name and
- 12 contact information of the prospective borrower, the
- 13 prospective borrower's own assessment of creditworthiness,
- 14 desired loan types, and resources to make a down payment,
- 15 but not including social security number, credit score, credit
- 16 or employment history, or specific rates of a desired mortgage
- 17 loan, to connect prospective borrowers to persons engaged in
- 18 the mortgage business does not prevent an individual from
- 19 qualifying for this exclusion.
- 20 (22) "Mortgage servicer" means a person engaged in the mortgage business who
- 21 directly or indirectly engages in the mortgage business as defined in sub-
- 22 subdivision c. of subdivision (10) of this section.
- 23 (23) "Nationwide Mortgage Licensing System and Registry" means the mortgage
- 24 licensing system developed and maintained by the Conference of State Bank
- 25 Supervisors and the American Association of Residential Mortgage
- 26 Regulators for the licensing and registration of licensed mortgage loan
- 27 originators.
- 28 (24) "Nontraditional mortgage product" means any residential mortgage loan
- 29 product other than a 30-year fixed rate mortgage.
- 30 (25) "Person" means an individual, partnership, limited liability company, limited
- 31 partnership, corporation, association, or other group engaged in joint
- 32 business activities however organized.
- 33 (26) "Principal office" means a principal place of business that shall consist of at
- 34 least one enclosed room or building of stationary construction in which
- 35 negotiations of mortgage loan transactions may be conducted and carried on
- 36 in privacy and in which all of the books, records, and files pertaining to
- 37 mortgage loan transactions relating to borrowers in this State are maintained.
- 38 A principal office shall not be located at an individual's home or residence.
- 39 (27) "Qualifying individual" means a person who meets the experience and other
- 40 requirements of G.S. 53-244.050(b) and who agrees to be primarily
- 41 responsible for the operations of a licensed mortgage broker or mortgage
- 42 lender or mortgage servicer.
- 43 (28) "Real estate brokerage activity" means any activity that involves offering or
- 44 providing real estate brokerage services to the public, including:
- 45 a. Acting as a real estate agent or real estate broker for a buyer, seller,
- 46 lessor, or lessee of real property;
- 47 b. Bringing together parties interested in the sale, purchase, lease,
- 48 rental, or exchange of real property;
- 49 c. Negotiating, on behalf of any party, any portion of a contract relating
- 50 to the sale, purchase, lease, rental, or exchange of real property, other

1 than in connection with providing financing with respect to any such
2 transaction;

3 d. Engaging in any activity for which a person engaged in the activity is
4 required to be registered or licensed as a real estate agent or real
5 estate broker under Chapter 93A of the General Statutes; and

6 e. Offering to engage in any activity, or act in any capacity, described
7 in sub-subdivision a., b., c., or d. of this subdivision.

8 (29) "Registered mortgage loan originator" means any individual who meets the
9 definition of mortgage loan originator, is registered with, and maintains a
10 unique identifier through the Nationwide Mortgage Licensing System and
11 Registry and is an employee of:

12 a. A depository institution;

13 b. A subsidiary that is owned and controlled by a depository institution
14 and regulated by a federal banking agency; or

15 c. An institution regulated by the Farm Credit Administration.

16 (30) "Residential mortgage loan" means any loan made or represented to be made
17 to a natural person or persons primarily for personal, family, or household
18 use that is secured by a mortgage, deed of trust, or other equivalent
19 consensual security interest on a dwelling located within this State or
20 residential real estate upon which is constructed or intended to be
21 constructed a dwelling.

22 (31) "Residential real estate" means any real property located in this State upon
23 which is constructed or intended to be constructed a dwelling.

24 (32) "RESPA" means the Real Estate Settlement Procedures Act, 12 U.S.C. §
25 2601, et seq., as it may be hereafter amended.

26 (33) "Tablefunding" means a transaction in which a person closes a residential
27 mortgage loan in its own name but with funds provided by another and in
28 which the loan is assigned to the mortgage lender actually providing the
29 funds within one business day of the funding of the loan.

30 (34) "Unique identifier" means a number or other identifier assigned by protocols
31 established by the Nationwide Mortgage Licensing System and Registry.

32 **§ 53-244.040. License and registration requirements.**

33 (a) Except as provided in subsection (d) of this section, no person may engage in the
34 mortgage business or act as a mortgage loan originator with respect to any dwelling located in
35 this State without first obtaining and maintaining a license under this Article. It shall be
36 unlawful for any person, other than an exempt person, to act as a mortgage loan originator
37 without a mortgage loan originator license, which authorizes an individual who is employed by
38 a licensee holding a license as provided in subsection (b) of this section to conduct the business
39 of a mortgage loan originator.

40 (b) Three types of licenses are granted to entities under this Article, and it shall be
41 unlawful for any person, other than an exempt person, to engage in the mortgage business
42 without one of the following licenses:

43 (1) A mortgage broker license authorizes a person to act as a mortgage broker as
44 defined in G.S. 53-244.030(19);

45 (2) A mortgage lender license authorizes a person to act as a mortgage lender as
46 defined in G.S. 53-244.030(20), a mortgage broker as defined under
47 G.S. 53-244.030(19), and upon notice to the Commissioner, a mortgage
48 servicer as defined in G.S. 53-244.030(22).

49 (3) A mortgage servicer license authorizes a person to act only as a mortgage
50 servicer as defined in G.S. 53-244.030(22).

1 (c) Each mortgage loan originator and person engaged in the mortgage business must
2 register with and maintain a valid unique identifier issued by the Nationwide Mortgage
3 Licensing System and Registry.

4 (d) The following are exempt from all provisions of this Article except the provisions of
5 G.S. 53-244.111:

6 (1) Registered mortgage loan originators as defined in G.S. 53-244.030(29);

7 (2) Any individual who offers or negotiates terms of a residential mortgage loan
8 with or on behalf of an immediate family member of the individual when
9 offering or negotiating the terms of a residential mortgage loan;

10 (3) Any individual seller who offers or negotiates terms and makes a residential
11 mortgage loan secured by the dwelling that served as the selling individual's
12 residence;

13 (4) An attorney licensed pursuant to Chapter 84 of the General Statutes who
14 negotiates the terms of a residential mortgage loan on behalf of a client in
15 the course of and incident to the attorney's representation of the client, so
16 long as the attorney does not hold himself out as engaged in the mortgage
17 business and is not compensated by a mortgage lender, a mortgage broker, or
18 other mortgage loan originator when negotiating the terms of a residential
19 mortgage loan;

20 (5) Any entity described in G.S. 53-244.030(29)a., b., or c., upon acceptance of
21 the notice of exemption filed with the Commissioner as specified in
22 G.S. 53-244.050(g);

23 (6) Any officer or employee of an entity described in subdivision (5) of this
24 subsection when acting within the scope of his or her employment; or

25 (7) A State or federally chartered credit union, upon filing of a notice of
26 exemption with the Administrator of the Credit Union Division of the
27 Department of Commerce as specified in G.S. 53-244.050(g).

28 (e) Each mortgage broker, mortgage lender, or mortgage servicer licensed under this
29 Article shall have a qualifying individual who operates the business under that person's full
30 charge, control, and supervision. Each mortgage broker, mortgage lender, or mortgage servicer
31 licensed under this Article shall file through the Nationwide Mortgage Licensing System and
32 Registry a form acceptable to the Commissioner indicating the licensee's designation of
33 qualifying individual and each qualifying individual's acceptance of the responsibility. Each
34 mortgage broker, mortgage lender, or mortgage servicer licensed under this Article shall notify
35 the Commissioner within 15 days of any change in its designated qualifying individual. Any
36 individual licensee who operates as a sole proprietorship shall qualify as and be considered the
37 qualifying individual for the purposes of this subsection.

38 (f) Mortgage lenders and mortgage brokers may not operate branch offices, except as
39 permitted by this Article. Each principal office and each branch office of a mortgage broker or
40 mortgage lender licensed under this Article shall have a branch manager who meets the
41 experience requirements under G.S. 53-244.050(b). The qualifying individual for a licensee's
42 business may also serve as the branch manager of one of the licensee's branch offices. Each
43 mortgage broker or mortgage lender licensed under this Article shall file through the
44 Nationwide Mortgage Licensing System and Registry a form acceptable to the Commissioner
45 indicating the licensee's designation of branch manager for each branch. Each mortgage broker
46 or mortgage lender licensed under this Article shall notify the Commissioner within 15 days of
47 the change of any branch manager.

48 **§ 53-244.050. License and registration application; claim of exemption.**

49 (a) Applicants for a license shall apply through the Nationwide Mortgage Licensing
50 System and Registry on a form acceptable to the Commissioner, including the following
51 information:

- 1 (1) The applicant's name and address, including street address, mailing address,
2 e-mail, telephone contact information, and social security number or
3 taxpayer identification number.
- 4 (2) The applicant's form and place of organization, if applicable.
- 5 (3) The applicant's proposed method of and locations for doing business, if
6 applicable.
- 7 (4) The qualifications and business history of the applicant and, if applicable,
8 the business history of any partner, officer, or director, any person occupying
9 a similar status or performing similar functions, or any person directly or
10 indirectly controlling the applicant, including:
- 11 a. A description of any injunction or administrative order by any state
12 or federal authority to which the person is or has been subject;
- 13 b. Any conviction, within the past 10 years, of a misdemeanor
14 involving moral turpitude or any fraud, false statement or omission,
15 any theft or wrongful taking of property, bribery, perjury, forgery,
16 counterfeiting, extortion, or conspiracy to commit any of these
17 offenses, or involving any financial service or financial service-
18 related business; and
- 19 c. Any felony convictions.
- 20 (5) With respect to an application for licensing as a mortgage lender, mortgage
21 broker, or mortgage servicer, the applicant's financial condition, credit
22 history, and business history, and, with respect to an application for licensing
23 as a mortgage loan originator, the applicant's credit history and business
24 history.
- 25 (6) The applicant's consent to a federal and State criminal history record check
26 and a set of the applicant's fingerprints in a form acceptable to the
27 Commissioner. In the case of an applicant that is a person other than a
28 natural person, each individual who has control of the applicant or who is the
29 qualifying individual or a branch manager shall consent to a federal and
30 State criminal history record check and submit a set of that individual's
31 fingerprints pursuant to this subdivision.
- 32 (b) The eligibility requirements for an application for licensure under this Article are as
33 follows:
- 34 (1) Each individual applicant for licensure as a mortgage loan originator or
35 qualifying individual shall:
- 36 a. Be at least 18 years of age;
- 37 b. Have satisfactorily completed, within the three years immediately
38 preceding the date of application, the mortgage lending prelicensing
39 education as required under G.S. 53-244.070; and
- 40 c. Have passed, within the three years immediately preceding the date
41 of application, the test required under G.S. 53-244.080.
- 42 (2) Each applicant for licensure as a mortgage broker or mortgage lender or
43 mortgage servicer at the time of application shall comply with the following
44 requirements:
- 45 a. If the applicant is a sole proprietor, the applicant shall have at least
46 three years of experience in residential mortgage lending or other
47 experience or meet competency requirements as the Commissioner
48 may impose.
- 49 b. If the applicant is a corporation, limited liability company, general or
50 limited partnership, association, or other group engaged in a joint
51 enterprise, however organized, at least one of its principal officers,

1 managers, or general partners shall have three years of experience in
2 residential mortgage lending or other experience or meet competency
3 requirements as the Commissioner may impose.

4 c. If the applicant will be a qualifying individual or branch manager, the
5 applicant shall have at least three years of experience in residential
6 mortgage lending or other experience or meet competency
7 requirements as the Commissioner may impose.

8 (c) In connection with an application for licensing as a mortgage loan originator,
9 mortgage lender, mortgage broker, or mortgage servicer, the applicant and its owners,
10 qualifying individual, and controlling persons shall furnish to the Nationwide Mortgage
11 Licensing System and Registry information concerning the applicant's identity, including:

12 (1) Fingerprints for submission to the Federal Bureau of Investigation and any
13 governmental agency or entity authorized to receive such information for a
14 state, national, and international criminal history background check.

15 (2) Personal history and experience in a form prescribed by the Nationwide
16 Mortgage Licensing System and Registry and the Commissioner to obtain:

17 a. Independent credit reports obtained from a consumer reporting
18 agency described in section 603(p) of the Fair Credit Reporting Act;
19 and

20 b. Information related to any administrative, civil, or criminal findings
21 by any governmental jurisdiction.

22 (3) The personal history may be obtained by the Commissioner at any time and
23 the fingerprint information shall be furnished upon the Commissioner's
24 request.

25 (4) An authorization for the Commissioner to obtain personal history or
26 fingerprint information at any time.

27 (d) For the purposes of this section and in order to reduce the points of contact that the
28 Federal Bureau of Investigation may have to maintain for purposes of the criminal information
29 required by this section, the Commissioner may use the Nationwide Mortgage Licensing
30 System and Registry as a channeling agent for requesting information from and distributing
31 information to the Department of Justice or any governmental agency.

32 (e) For the purposes of this section and in order to reduce the points of contact that the
33 Commissioner may have to maintain for purposes of the noncriminal information required by
34 this section, the Commissioner may use the Nationwide Mortgage Licensing System and
35 Registry as a channeling agent for requesting and distributing information to and from any
36 source so directed by the Commissioner.

37 (f) For purposes of this section, the Commissioner may request and the North Carolina
38 Department of Justice may provide a criminal record check to the Commissioner for any person
39 who has applied for or holds a mortgage lender, mortgage broker, mortgage servicer, or
40 mortgage loan originator license as provided by this section. The Commissioner shall provide
41 the Department of Justice, along with the request, the fingerprints of the person, any additional
42 information required by the Department of Justice, and a form signed by the person consenting
43 to the check of the criminal record and to the use of the fingerprints and other identifying
44 information required by the State or national repositories. The person's fingerprints shall be
45 forwarded to the State Bureau of Investigation for a search of the State's criminal history record
46 file, and the State Bureau of Investigation shall forward a set of the fingerprints to the Federal
47 Bureau of Investigation for a national criminal history check. The Department of Justice may
48 charge a fee for each person for conducting the checks of criminal history records authorized
49 by this section.

50 (g) Except as provided by subsection (h) of this section, persons engaged in the
51 mortgage business and exempt from licensure pursuant to G.S. 53-244.040(d)(5) shall notify

1 the Commissioner in order to claim and confirm the exemption and to facilitate the referral of
2 consumers that contact the Commissioner. The Commissioner shall prescribe a form for such a
3 claim of exemption that shall contain:

- 4 (1) The name of the exempt person;
- 5 (2) The basis of the exempt status of the exempt person;
- 6 (3) The principal business address and contact information for the exempt
7 person; and
- 8 (4) The State or federal regulatory authority responsible for the exempt person's
9 supervision, examination, or regulation.

10 (h) A State or federally chartered credit union may claim and confirm an exemption
11 from this Article by notifying the Administrator of the Credit Union Division of the
12 Department of Commerce and providing substantially the same information required by
13 subsection (g) of this section.

14 (i) The Commissioner shall keep all information pursuant to this section privileged, in
15 accordance with applicable State law and federal guidelines, and the information shall be
16 confidential and shall not be a public record under Chapter 132 of the General Statutes.

17 **"§ 53-244.060. Issuance of license.**

18 If an applicant satisfies the requirements of G.S. 53-244.050, the Commissioner shall issue
19 a mortgage lender, mortgage broker, mortgage servicer, or mortgage loan originator license
20 unless the Commissioner finds any of the following:

- 21 (1) The applicant has had a mortgage loan originator or mortgage lender,
22 mortgage broker, or mortgage servicer license revoked in any governmental
23 jurisdiction, except that a subsequent formal vacation of the revocation shall
24 not be deemed a revocation.
- 25 (2) The applicant or its controlling persons have been convicted of, or plead
26 guilty or nolo contendere to a felony in a domestic, foreign, or military
27 court:
 - 28 a. During the seven-year period preceding the date of the application
29 for licensing and registration; or
 - 30 b. At any time preceding the date of application, if the felony involved
31 an act of fraud, dishonesty, a breach of trust, or money laundering.

32 A pardon of a conviction shall not be a conviction for purposes of this
33 subdivision.
- 34 (3) The applicant or any of its controlling persons have been convicted of, or
35 plead guilty or nolo contendere to any charge in a domestic, foreign, or
36 military court, within the past five years, of a misdemeanor involving moral
37 turpitude or any fraud, false statement or omission, any theft or wrongful
38 taking of property, bribery, perjury, forgery, counterfeiting, extortion, or
39 conspiracy to commit any of these offenses, or involving any financial
40 service or financial service-related business.
- 41 (4) The applicant has demonstrated a lack of financial responsibility, character,
42 or general fitness such as to fail to command the confidence of the
43 community and to warrant a determination that the mortgage loan originator
44 or other licensee will operate honestly, fairly, and efficiently within the
45 purposes of this Article. For purposes of this subdivision, a person shows a
46 lack of financial responsibility when the person has shown a disregard in the
47 management of the person's own financial affairs. Evidence that a person has
48 not shown financial responsibility may include:
 - 49 a. Current outstanding judgments, except judgments resulting solely
50 from medical expenses;
 - 51 b. Current outstanding tax liens or other government liens and filings;

1 c. Foreclosures within the past three years; or

2 d. A pattern of serious delinquent accounts within the past three years.

3 (5) The mortgage loan originator applicant has failed to complete the
4 prelicensing education requirement described in G.S. 53-244.070.

5 (6) The mortgage loan originator applicant has failed to pass a written test that
6 meets the requirements described in G.S. 53-244.080.

7 (7) The mortgage lender, mortgage broker, or mortgage servicer applicant has
8 failed to meet the surety bond requirement described in G.S. 53-244.103.

9 (8) The mortgage lender, mortgage broker, or mortgage servicer applicant fails
10 to meet the minimum net worth requirement as described in
11 G.S. 53-244.104.

12 (9) The applicant's participation in the mortgage business will not be in the
13 public interest.

14 **"§ 53-244.070. Educational requirements for mortgage loan originators.**

15 (a) In order to be eligible to apply for a mortgage loan originator license, an individual
16 must complete at least 24 hours of prelicensing education approved in accordance with
17 subsection (b) of this section, which shall include:

18 (1) Three hours of federal law and regulations;

19 (2) Three hours of ethics, including instruction on fraud, consumer protection,
20 and fair lending issues;

21 (3) Two hours of training related to lending standards for nontraditional
22 mortgage products; and

23 (4) Four hours of North Carolina laws and regulations.

24 (b) Prelicensing education courses and the course providers shall be reviewed and
25 approved by the Nationwide Mortgage Licensing System and Registry using reasonable
26 standards consistently applied, subject to the Commissioner's approval of any course of study
27 required by subdivision (a)(4) of this section. Review and approval of a prelicensing education
28 course shall include review and approval of the course provider.

29 (c) Nothing in this section shall preclude any prelicensing education course, approved
30 by the Nationwide Mortgage Licensing System and Registry, that is provided by the employer
31 of the applicant or an entity that is affiliated with the applicant by an agency contract, or any
32 subsidiary or affiliate of the employer or entity.

33 (d) Prelicensing education may be offered either in a classroom, online, or by any other
34 means approved by the Nationwide Mortgage Licensing System and Registry.

35 (e) An individual having successfully completed the prelicensing educational
36 requirements in any other state, if the requirements have been approved by the Nationwide
37 Mortgage Licensing System and Registry, shall be given credit for those hours toward the
38 completion of the prelicensing requirements in this State, other than the hours required under
39 subdivision (a)(4) of this section.

40 (f) An individual previously licensed under this Article whose license expires and who
41 requests a late renewal of license pursuant to G.S. 53-244.101 must prove that the individual
42 has completed all of the continuing education requirements for the preceding year.

43 **"§ 53-244.080. Testing requirements for mortgage loan originators.**

44 (a) An individual must pass a qualified written test, as defined by subsection (b) of this
45 section, developed by the Nationwide Mortgage Licensing System and Registry and
46 administered by a test provider approved by the Nationwide Mortgage Licensing System and
47 Registry. In addition, prior to licensure in this State, an individual must take a qualified written
48 test that tests the individual's knowledge and comprehension of North Carolina law and
49 regulation.

1 (b) A written test shall not be treated as a qualified written test unless the test
2 adequately measures the applicant's knowledge and comprehension in the following subject
3 areas:

- 4 (1) Ethics;
- 5 (2) Federal law and regulation pertaining to mortgage origination;
- 6 (3) North Carolina law and regulation pertaining to mortgage origination; and
- 7 (4) Federal and North Carolina law and regulations relating to fraud, consumer
8 protection, nontraditional mortgage products, and fair lending issues.

9 (c) Nothing in this section shall prohibit a test provider approved by the Nationwide
10 Mortgage Licensing System and Registry from providing a test at the location of the employer
11 of the applicant or the location of any subsidiary or affiliate of the employer of the applicant, or
12 the location of any entity which is licensed by North Carolina to engage in the mortgage
13 lending business.

14 (d) An applicant shall be considered to have passed a qualified written test provided the
15 applicant achieves a test score of at least seventy-five percent (75%) correct answers to
16 questions. In addition, an applicant shall not be considered to have passed a qualified written
17 test if the individual did not achieve a test score of at least seventy-five percent (75%) correct
18 answers to questions related to North Carolina law and regulation.

19 (e) An applicant may retake a test three consecutive times with each consecutive test
20 occurring at least 30 days after the preceding test. After failing three consecutive tests, an
21 applicant must wait at least six months before retaking the test. A licensed mortgage loan
22 originator who fails to maintain a valid license for a period of three years or longer must retake
23 the test.

24 **"§ 53-244.090. License application fees.**

25 (a) Every applicant for initial licensure shall pay a nonrefundable filing fee of one
26 thousand two hundred fifty dollars (\$1,250) for licensure as a mortgage broker, mortgage
27 lender, or mortgage servicer or one hundred twenty-five dollars (\$125.00) for licensure as a
28 mortgage loan originator. In addition, an applicant must pay the actual cost of obtaining a credit
29 report, State and national criminal history record checks, and the processing fees required by
30 the Nationwide Mortgage Licensing System and Registry.

31 (b) Each principal and each branch office of a mortgage broker or mortgage lender
32 licensed under the provisions of this Article shall be issued a separate license for which the
33 Commissioner shall assess a nonrefundable filing fee of one hundred twenty-five dollars
34 (\$125.00) in addition to the Nationwide Mortgage Licensing System and Registry processing
35 fee. A licensed mortgage broker or mortgage lender shall file with the Commissioner a notice
36 on a form prescribed by the Commissioner that identifies the address of the principal office and
37 each branch office and its designated branch manager. Payment of the license fee under
38 subsection (a) of this section shall be deemed to cover the location license fee for the principal
39 office of each mortgage lender, mortgage broker, or mortgage servicer without payment of an
40 additional one hundred twenty-five dollars (\$125.00) under this subsection.

41 **"§ 53-244.100. Active license requirements and assignability.**

42 (a) It is unlawful for any person to engage in the mortgage business without first
43 obtaining a license as a mortgage loan originator, mortgage lender, mortgage broker, or
44 mortgage servicer issued by the Commissioner under this Article. It is unlawful for any person
45 to employ, to compensate, or to appoint as its agent a mortgage loan originator unless the
46 person is a licensed mortgage loan originator under this Article. Persons defined in
47 G.S. 53-244.030(8) or G.S. 53-244.030(29) are not subject to this subsection.

48 (b) The license of a mortgage loan originator is not effective during any period when
49 that person is not employed by a mortgage lender, mortgage broker, or mortgage servicer
50 licensed under this Article. When a mortgage loan originator ceases to be employed by a
51 mortgage lender, mortgage broker, or mortgage servicer licensed under this Article, the

1 mortgage loan originator, and the mortgage lender, mortgage broker, or mortgage servicer
2 licensed under this Article by whom that person is employed shall promptly notify the
3 Commissioner in writing. The mortgage lender, mortgage broker, or mortgage servicer shall
4 include a statement of the specific reason for the termination of the mortgage loan originator's
5 employment. A mortgage loan originator shall not be employed simultaneously by more than
6 one mortgage lender, mortgage broker, or mortgage servicer licensed under this Article.

7 (c) Each mortgage lender, mortgage broker, and mortgage servicer licensed under this
8 Article shall maintain on file with the Commissioner a list of all mortgage loan originators who
9 are employed with the mortgage lender, mortgage broker, or mortgage servicer.

10 (d) No person, other than an exempt person, shall hold himself or herself out as a
11 mortgage lender, a mortgage broker, a mortgage servicer, or a mortgage loan originator unless
12 the person is licensed in accordance with this Article.

13 (e) Licenses issued under this Article are not assignable. Control of a licensee shall not
14 be acquired through a stock purchase, merger, or other device without the prior written consent
15 of the Commissioner. The Commissioner shall not give written consent if the Commissioner
16 finds that any of the grounds for denial, revocation, or suspension of a license are applicable to
17 the acquiring person.

18 **§ 53-244.101. License renewal.**

19 (a) All licenses issued by the Commissioner under the provisions of this Article shall
20 expire annually on the 31st day of December following issuance or on any other date that the
21 Commissioner may determine. The license is invalid after that date and shall remain invalid
22 unless renewed under subsection (b) of this section.

23 (b) A license may be renewed on or after November 1 of each year by complying with
24 the requirements of subsection (c) of this section and by paying to the Commissioner, in
25 addition to the actual cost of obtaining credit reports and State and national criminal history
26 record checks and of processing fees of the nationwide system as the Commissioner shall
27 require, nonrefundable renewal fees as follows:

28 (1) Licensed mortgage lenders, licensed mortgage brokers, and licensed
29 mortgage servicers shall pay an annual renewal fee of six hundred
30 twenty-five dollars (\$625.00), and licensed mortgage lenders and mortgage
31 brokers shall pay one hundred twenty-five dollars (\$125.00) for each
32 licensed branch office.

33 (2) Licensed mortgage loan originators shall pay an annual renewal fee of
34 sixty-seven dollars and fifty cents (\$67.50).

35 (c) Licenses may apply to renew a mortgage loan originator, mortgage lender,
36 mortgage broker, and mortgage servicer license. The application for renewal shall demonstrate
37 that:

38 (1) The licensee continues to meet the initial minimum standards for licensure
39 under G.S. 53-244.060;

40 (2) The mortgage loan originator has satisfied the annual continuing education
41 requirements described in G.S. 53-244.102; and

42 (3) The licensee has paid all required fees for renewal of the license.

43 (d) If a mortgage lender, mortgage broker, or mortgage servicer's license is not renewed
44 prior to the expiration date, then the licensee shall pay two hundred fifty dollars (\$250.00) as a
45 nonrefundable late fee in addition to the renewal fee set forth in subsection (b) of this section. If
46 a mortgage loan originator's license is not renewed prior to the expiration date, then the licensee
47 shall pay a nonrefundable late fee of one hundred dollars (\$100.00) in addition to the renewal
48 fee set forth in subsection (b) of this section. In the event a licensee fails to obtain a
49 reinstatement of the license prior to March 1, the Commissioner shall require the licensee to
50 comply with the requirements for the initial issuance of a license under the provisions of this
51 Article.

1 (e) When required by the Commissioner, each person shall furnish to the Commissioner
2 the person's consent to a criminal history record check and a set of the person's fingerprints in a
3 form acceptable to the Commissioner or to the Nationwide Mortgage Licensing System and
4 Registry. Refusal to consent to a criminal history record check shall constitute grounds for the
5 Commissioner to deny renewal of the license of the person as well as the license of any other
6 person by whom the person is employed, over which the person has control, or as to which the
7 person is the current or proposed qualifying individual or current or proposed branch manager.

8 **"§ 53-244.102. Continuing education for mortgage loan originators.**

9 (a) A licensed mortgage loan originator shall annually complete at least eight hours of
10 continuing education approved in accordance with subsection (b) of this section, including:

11 (1) Three hours of federal law and regulations;

12 (2) Two hours of ethics, including instruction on fraud, consumer protection,
13 and fair lending issues;

14 (3) Two hours of training related to lending standards for nontraditional
15 mortgage products; and

16 (4) One hour of North Carolina law and regulations.

17 (b) Continuing education courses shall be reviewed and approved by the Nationwide
18 Mortgage Licensing System and Registry based upon reasonable standards. Approval of a
19 continuing education course shall include approval of the course provider.

20 (c) Nothing in this section shall preclude any continuing education course, approved by
21 the Nationwide Mortgage Licensing System and Registry, that is provided by the employer of
22 the mortgage loan originator or an entity affiliated with the mortgage loan originator by an
23 agency contract, or any subsidiary or affiliate of such employer or entity. Continuing education
24 may be offered either in a classroom, online, or by any other means approved by the
25 Nationwide Mortgage Licensing System and Registry.

26 (d) A licensed mortgage loan originator:

27 (1) Except for G. S. 53-244.070(b) and subsection (e) of this section, may only
28 receive credit for a continuing education course in the year in which the
29 course is taken; and

30 (2) May not take the same approved course in the same or successive years to
31 meet the annual requirements for continuing education.

32 (e) A licensed mortgage loan originator who is an approved instructor of an approved
33 continuing education course may receive credit for the licensed mortgage loan originator's own
34 annual continuing education requirement at the rate of two hours credit for every one hour
35 taught.

36 (f) A licensee having successfully completed the education requirements approved by
37 the Nationwide Mortgage Licensing System and Registry in subdivisions (a)(1), (a)(2), and
38 (a)(3) of this section for any state shall be accepted as credit towards completion of continuing
39 education requirements in North Carolina.

40 **"§ 53-244.103. Surety bond requirements.**

41 (a) Each mortgage loan originator shall be covered by a surety bond through
42 employment with a licensee in accordance with this section. The surety bond shall provide
43 coverage for each mortgage loan originator employed by the licensee in an amount as
44 prescribed by subsection (b) of this section and shall be in a form prescribed by the
45 Commissioner. The Commissioner may adopt rules with respect to the requirements for the
46 surety bonds as needed to accomplish the purposes of the Article.

47 (b) Licensees shall be required to post a surety bond with the Commissioner at
48 application to be subsequently adjusted as follows:

49 (1) A mortgage lender, mortgage broker, or mortgage servicer shall post a
50 minimum surety bond of one hundred fifty thousand dollars (\$150,000). In
51 order to act as a mortgage loan originator, the mortgage loan originator must

1 be covered by the surety bond of a mortgage lender, mortgage broker, or
2 mortgage servicer licensed under this Article.

3 (2) If a mortgage lender or mortgage broker has originated mortgage loans in
4 North Carolina in a 12-month period ended December 31 in excess of ten
5 million dollars (\$10,000,000) but less than fifty million dollars
6 (\$50,000,000), then the licensee's minimum bond amount shall be two
7 hundred fifty thousand dollars (\$250,000).

8 (3) If the mortgage broker or mortgage lender has originated mortgage loans in
9 North Carolina in a 12-month period ended December 31, totaling fifty
10 million dollars (\$50,000,000) or more in a 12-month period, then the
11 minimum surety bond shall be five hundred thousand dollars (\$500,000).

12 (4) Any increased surety bond required under subdivision (2) or (3) of this
13 subsection shall be filed with the Commissioner on or before May 31
14 immediately following the end of the 12-month December 31 period.

15 (c) The surety bond shall be in a form satisfactory to the Commissioner and shall run to
16 the State for the benefit of any claimants against the licensee to secure the faithful performance
17 of the obligations of the licensee under this Article. The aggregate liability of the surety shall
18 not exceed the principal sum of the bond. A party having a claim against the licensee may bring
19 suit directly on the surety bond, or the Commissioner may bring suit on behalf of any
20 claimants, either in one action or in successive actions. Consumer claims shall be given priority
21 in recovering from the bond. When an action is commenced on a licensee's bond, the
22 Commissioner may require the filing of a new bond. In this case, the licensee shall file a
23 replacement bond in the required amount within 30 days. Immediately upon recovery upon any
24 action on the bond the licensee shall file a new bond.

25 (d) In the Commissioner's discretion and upon written request of the licensee, the
26 Commissioner may waive the requirement of the bond for any licensee, if:

27 (1) The licensee has been licensed by the Commissioner for at least three years;

28 (2) The licensee can demonstrate a net worth, according to the most recent
29 audited financial statement, at least four times the required bond amount,
30 and the licensee certifies that its net worth will be maintained at or above
31 this level at all times and agrees to notify the Commissioner and to secure an
32 appropriate bond in the event the net worth falls below this level;

33 (3) The Commissioner believes the licensee has a satisfactory history of
34 resolving complaints from consumers and responding to findings of
35 investigations or examinations by the Commissioner; and

36 (4) The Commissioner has no reason to believe the licensee will be unable to
37 resolve complaints, respond to examination or investigative findings, or
38 fulfill financial obligations under this Article.

39 (e) If the Commissioner has waived the bond requirement of a licensee based on
40 subsection (d) of this section, the Commissioner may summarily reinstate the bond requirement
41 on any licensee if the Commissioner has reason to believe the licensee no longer meets the
42 standards in subsection (d) of this section. In this event, the licensee shall submit a bond, as
43 required in subsection (b) of this section, within 30 days. Failure to submit a bond as directed
44 by the Commissioner shall be grounds for summary suspension.

45 **"§ 53-244.104. Minimum net worth requirements.**

46 (a) A minimum net worth shall be continuously maintained for licensees in accordance
47 with this section. In the event that the mortgage loan originator is an employee or exclusive
48 agent of a person subject to this Article, the net worth of the person subject to this Article can
49 be used in lieu of the mortgage loan originator's minimum net worth requirement. The
50 minimum net worth to be maintained for each license is as follows:

1 (1) If the licensee is a mortgage lender, it shall maintain a net worth of at least
2 one hundred thousand dollars (\$100,000), including evidence of liquidity of
3 one million dollars (\$1,000,000), which may include a warehouse line of
4 credit of one million dollars (\$1,000,000) or other evidence of funding
5 capacity to conduct mortgage originations as documented by an unqualified
6 audited statement of financial condition.

7 (2) If the licensee is a mortgage servicer, it shall maintain a net worth of at least
8 one hundred thousand dollars (\$100,000), not including monies in any
9 escrow accounts held for others.

10 (3) If the licensee is a mortgage broker, it shall maintain a net worth of at least
11 twenty-five thousand dollars (\$25,000), including evidence of liquidity of
12 ten thousand dollars (\$10,000), as certified by the licensee in a certified
13 statement of financial condition.

14 (b) The Commissioner may adopt rules to require additional minimum net worth or
15 otherwise amend net worth requirements as are necessary to ensure licensees maintain adequate
16 financial responsibility and accomplish the purposes of this Article.

17 **"§ 53-244.105. Records, addresses, escrow funds, or trust accounts.**

18 (a) Every licensee shall make and keep the accounts, correspondence, memoranda,
19 papers, books, and other records as prescribed in rules adopted by the Commissioner. All
20 records shall be preserved for three years unless the Commissioner, by rule, prescribes
21 otherwise for particular types of records.

22 (b) No person shall make any false statement or knowingly and willfully make any
23 omission of a material fact in connection with any information or reports filed with the
24 Commissioner, a governmental agency, or the Nationwide Mortgage Licensing System and
25 Registry or in connection with any oral or written communication with the Commissioner or
26 another governmental agency. If the information contained in any document filed with the
27 Commissioner or the Nationwide Mortgage Licensing System and Registry is or becomes
28 inaccurate or incomplete in any material respect, the licensee or exempt entity shall within 30
29 days file a correcting amendment to the information contained in the document.

30 (c) Each mortgage broker licensee shall maintain and transact business from a principal
31 place of business in this State. The Commissioner, may, by rule, impose terms and conditions
32 under which the records and files of a mortgage lender or mortgage servicer may be maintained
33 outside of this State. A principal place of business shall not be located at an individual's home
34 or residence. A mortgage lender, mortgage broker, or mortgage servicer licensee shall maintain
35 a record of the principal place of business with the Commissioner and report any change of
36 address of the principal place of business or any branch office within 15 days after the change.

37 (d) A licensee shall maintain in a segregated escrow fund or trust account any funds
38 which come into the licensee's possession but which are not the licensee's property and which
39 the licensee is not entitled to retain under the circumstances. The escrow fund or trust account
40 shall be held on deposit in a federally insured financial institution. Individual loan applicants' or
41 borrowers' accounts may be aggregated into a common trust fund so long as (i) interests in the
42 common fund can be individually tracked and accounted for and (ii) the common fund is kept
43 separate from and is not commingled with the licensee's own funds.

44 **"§ 53-244.106. Display of license.**

45 Each mortgage broker or mortgage lender licensed under this Article shall display, in plain
46 public view, the certificate of licensure issued by the Commissioner in its principal office and
47 in each branch office. Each mortgage loan originator licensed under this Article shall display,
48 in plain public view, in each branch office in which the individual acts as a mortgage loan
49 originator the certificate of licensure issued by the Commissioner.

50 **"§ 53-244.107. Unique identifier shown.**

1 The unique identifier of any mortgage loan originator or other person engaged in the
2 mortgage business as defined in G.S. 53-244.030(10) shall be clearly shown on all residential
3 mortgage loan application forms, solicitations, advertisements, including business cards or Web
4 sites, and any other documents as established by rule or order of the Commissioner.

5 **"§ 53-244.108. Reports.**

6 Each mortgage lender, mortgage broker, or mortgage servicer licensee shall submit to the
7 Commissioner and to the Nationwide Mortgage Licensing System and Registry reports of
8 condition and any other reports requested by the Commissioner pursuant to G.S. 53-244.115(d).
9 The reports shall be in the form and shall contain any information that the Commissioner or
10 Nationwide Mortgage Licensing System and Registry may require.

11 **"§ 53-244.109. Mortgage broker duties.**

12 Any mortgage broker engaged in the mortgage business as defined by
13 G.S. 53-244.030(10)a., in addition to duties imposed by other statutes or at common law, shall
14 do all of the following:

- 15 (1) Safeguard and account for any money handled for the borrower.
- 16 (2) Follow reasonable and lawful instructions from the borrower.
- 17 (3) Act with reasonable skill, care, and diligence.
- 18 (4) Make reasonable efforts to secure a loan that is reasonably advantageous to
19 the borrower considering all the circumstances, including the rates, charges,
20 and repayment terms of the loan.
- 21 (5) Timely and clearly disclose to the borrower material information as specified
22 by the Commissioner that may be expected to influence the borrower's
23 decision and is reasonably accessible to the mortgage broker, including the
24 total compensation the mortgage broker expects to receive from any and all
25 sources in connection with each loan option presented to the borrower.
- 26 (6) Notify before closing each lender of the particulars of each of the other
27 lender's loans if the mortgage broker knows that more than one mortgage
28 loan will be made by different lenders contemporaneously to a borrower.
- 29 (7) Ensure that any services offered to any applicant shall be available and
30 offered to all similarly situated applicants on an equal basis.
- 31 (8) In transactions where the mortgage broker has the ability to make credit
32 decisions, use reasonable means to provide the borrower with prompt credit
33 decisions on its loan applications and, where the credit is denied, to comply
34 fully with the notification requirements of applicable State and federal law.
- 35 (9) Ensure that advertising materials are designed to make customers and
36 potential customers aware that the mortgage broker does not discriminate on
37 any prohibited basis.

38 **"§ 53-244.110. Mortgage servicer duties.**

39 Any mortgage servicer engaged in the mortgage business as defined by
40 G.S. 53-244.030(10)c., in addition to duties imposed by other statutes or at common law, shall
41 do all of the following:

- 42 (1) Safeguard and account for any money handled for the borrower.
- 43 (2) Follow reasonable and lawful instructions from the borrower.
- 44 (3) Act with reasonable skill, care, and diligence.
- 45 (4) File with the Commissioner a complete, current schedule of the ranges of
46 costs and fees it charges borrowers for its servicing-related activities with its
47 application and renewal and with its supplemental filings made from time to
48 time.
- 49 (5) File with the Commissioner upon request a report in a form and format
50 acceptable to the Commissioner detailing the servicer's activities in this
51 State, including:

- 1 a. The number of mortgage loans the servicer is servicing.
2 b. The type and characteristics of the loans in this State.
3 c. The number of serviced loans in default, along with a breakdown of
4 30-, 60-, and 90-day delinquencies.
5 d. Information on loss mitigation activities, including details on
6 workout arrangements undertaken.
7 e. Information on foreclosures commenced in this State.
8 (6) At the time a servicer accepts assignment of servicing rights for a mortgage
9 loan, the servicer shall disclose to the borrower all of the following:
10 a. Any notice required by RESPA or by regulations promulgated
11 thereunder.
12 b. A schedule of the ranges and categories of its costs and fees for its
13 servicing-related activities, which shall comply with North Carolina
14 law and which shall not exceed those reported to the Commissioner.
15 c. A notice in a form and content acceptable to the Commissioner that
16 the servicer is licensed by the Commissioner and that complaints
17 about the servicer may be submitted to the Commissioner.
18 d. Any notice required by Article 2A, 4, or 10 of Chapter 45 of the
19 General Statutes.
20 (7) In the event of a delinquency or other act of default on the part of the
21 borrower, the mortgage servicer shall act in good faith to inform the
22 borrower of the facts concerning the loan and the nature and extent of the
23 delinquency or default and, if the borrower replies, to negotiate with the
24 borrower, subject to the mortgage servicer's duties and obligations under the
25 mortgage servicing contract, if any, to attempt a resolution or workout to the
26 delinquency.

27 "**§ 53-244.111. Prohibited acts.**

28 In addition to the activities prohibited under other provisions of this Article, it shall be
29 unlawful for any person in the course of any residential mortgage loan transaction:

- 30 (1) To misrepresent or conceal the material facts or make false promises likely
31 to influence, persuade, or induce an applicant for a mortgage loan or a
32 mortgagor to take a mortgage loan, or to pursue a course of
33 misrepresentation through agents or otherwise.
34 (2) To improperly refuse to issue a satisfaction of a mortgage.
35 (3) To fail to account for or to deliver to any person any funds, documents, or
36 other thing of value obtained in connection with a mortgage loan, including
37 money provided by a borrower for a real estate appraisal or a credit report,
38 which the mortgage lender, mortgage broker, mortgage servicer, or mortgage
39 loan originator is not entitled to retain under the circumstances.
40 (4) To pay, receive, or collect in whole or in part any commission, fee, or other
41 compensation for brokering or servicing a mortgage loan in violation of this
42 Article, including a mortgage loan brokered or serviced by any unlicensed
43 person other than an exempt person.
44 (5) To charge or collect any fee or rate of interest or to make or broker or
45 service any mortgage loan with terms or conditions or in a manner contrary
46 to the provisions of Chapters 24, 45, or 54 of the General Statutes.
47 (6) To advertise mortgage loans, including rates, margins, discounts, points,
48 fees, commissions, or other material information, including material
49 limitations on the loans, unless the person is able to make the mortgage loans
50 available to a reasonable number of qualified applicants.

- 1 (7) To fail to disburse funds in accordance with a written commitment or
2 agreement to make a mortgage loan.
- 3 (8) To engage in any transaction, practice, or course of business that is not in
4 good faith or fair dealing or that constitutes a fraud upon any person in
5 connection with the brokering or making or servicing of, or purchase or sale
6 of, any mortgage loan.
- 7 (9) To fail to pay promptly when due reasonable fees to a licensed appraiser for
8 appraisal services that are:
- 9 a. Requested from the appraiser in writing by the mortgage broker or
10 mortgage lender or an employee of the mortgage broker or mortgage
11 lender; and
- 12 b. Performed by the appraiser in connection with the origination or
13 closing of a mortgage loan for a customer or the mortgage broker or
14 mortgage lender.
- 15 (10) To broker a mortgage loan that contains a prepayment penalty if the
16 principal amount of the loan is one hundred fifty thousand dollars
17 (\$150,000) or less or if the loan is a rate spread home loan as defined in
18 G.S. 24-1.1F.
- 19 (11) To improperly influence or attempt to improperly influence the
20 development, reporting, result, or review of a real estate appraisal sought in
21 connection with a mortgage loan. Nothing in this subdivision shall be
22 construed to prohibit a mortgage lender, mortgage broker, or mortgage
23 servicer from asking the appraiser to do one or more of the following:
- 24 a. Consider additional appropriate property information.
- 25 b. Provide further detail, substantiation, or explanation for the
26 appraiser's value conclusion.
- 27 c. Correct errors in the appraisal report.
- 28 (12) To fail to comply with the mortgage loan servicing transfer, escrow account
29 administration, or borrower inquiry response requirements imposed by
30 sections 6 and 10 of RESPA and regulations adopted thereunder.
- 31 (13) To broker a rate spread adjustable rate mortgage loan without disclosing to
32 the borrower the terms and costs associated with a fixed rate loan from the
33 same lender at the lowest annual percentage rate for which the borrower
34 qualifies.
- 35 (14) To fail to comply with applicable State and federal laws and regulations
36 related to mortgage lending or mortgage servicing.
- 37 (15) To engage in unfair, misleading, or deceptive advertising related to a
38 solicitation for a mortgage loan.
- 39 (16) In connection with the brokering or making of a rate spread home loan as
40 defined under G.S. 24-1.1F, no lender shall provide nor shall any broker
41 receive any compensation that changes based on the terms of the loan. This
42 subdivision shall not prohibit compensation based on the principal balance
43 of the loan.
- 44 (17) For a mortgage servicer to fail to comply with the mortgage servicer's
45 obligations under Article 10 of Chapter 45 of the General Statutes.
- 46 (18) For a mortgage servicer to fail to provide written notice to a borrower upon
47 taking action to place hazard, homeowner's, or flood insurance on the
48 mortgaged property or to place such insurance when the mortgage servicer
49 knows or has reason to know that the insurance is in effect.

- 1 (19) For a mortgage servicer to place hazard, homeowner's, or flood insurance on
2 a mortgaged property for an amount that exceeds either the value of the
3 insurable improvements or the last known coverage amount of insurance.
- 4 (20) For a mortgage servicer to fail to provide to the borrower a refund of
5 unearned premiums paid by a borrower or charged to the borrower for
6 hazard, homeowner's, or flood insurance placed by a mortgage lender or
7 mortgage servicer if the borrower provides reasonable proof that the
8 borrower has obtained coverage such that the forced placement is no longer
9 necessary and the property is insured. If the borrower provides reasonable
10 proof within 12 months of the placement that no lapse in coverage occurred
11 such that the forced placement was not necessary, the mortgage servicer
12 shall refund the entire premium.
- 13 (21) For a mortgage servicer to refuse to reinstate a delinquent loan upon a tender
14 of payment made timely under the contract which is sufficient in amount,
15 based upon the last written statement received by the borrower, to pay all
16 past due amounts, outstanding or overdue charges, and restore the loan to a
17 nondelinquent status, but this reinstatement shall be available to a borrower
18 no more than twice in any 24-month period.
- 19 (22) For a person acting as a mortgage servicer to fail to mail, at least 45 days
20 before foreclosure is initiated, a notice addressed to the borrower at the
21 borrower's last known address with the following information:
- 22 a. An itemization of all past due amounts causing the loan to be in
23 default.
- 24 b. An itemization of any other charges that must be paid in order to
25 bring the loan current.
- 26 c. A statement that the borrower may have options available other than
27 foreclosure and that the borrower may discuss the options with the
28 mortgage lender, the mortgage servicer, or a counselor approved by
29 the U.S. Department of Housing and Urban Development (HUD).
- 30 d. The address, telephone number, and other contact information for the
31 mortgage lender, the mortgage servicer, or the agent for either of
32 them who is authorized to attempt to work with the borrower to avoid
33 foreclosure.
- 34 e. The name, address, telephone number, and other contact information
35 for one or more HUD-approved counseling agencies operating to
36 assist borrowers in North Carolina to avoid foreclosure.
- 37 f. The address, telephone number, and other contact information for the
38 consumer complaint section of the Office of the Commissioner of
39 Banks.
- 40 (23) To fail to make all payments from any escrow account held for the borrower
41 for insurance, taxes, and other charges with respect to the property in a
42 timely manner so as to ensure that no late penalties are assessed or other
43 negative consequences result regardless of whether the loan is delinquent,
44 unless there are not sufficient funds in the account to cover the payments and
45 the mortgage servicer has a reasonable basis to believe that recovery of the
46 funds will not be possible.

47 **"§ 53-244.112. Criminal penalties for unlicensed activity.**

48 Engaging in the mortgage business as defined by G.S. 53-244.030(10) or acting as a
49 mortgage loan originator without a license as required by the provisions of G.S. 53-244.040 is a
50 Class 3 misdemeanor. Each transaction involving unlicensed activity is a separate offense.

51 **"§ 53-244.113. Regulatory authority.**

1 (a) Unless otherwise provided, all actions, hearings, and procedures under this Article
2 shall be governed by Article 3A of Chapter 150B of the General Statutes.

3 (b) For purposes of this Article, the Commissioner shall be deemed to have complied
4 with the requirements of law concerning service of process upon mailing by certified mail any
5 notice required or permitted to a licensee under this Article, postage prepaid and addressed to
6 the last known address of the licensee on file with the Commissioner pursuant to
7 G.S. 53-244.105(c).

8 (c) Upon the issuance of any summary order permitted under this Article, including
9 summary suspensions and cease and desist orders, the Commissioner shall promptly notify the
10 person subject to the order that the order has been entered and the reasons for the order. Within
11 20 days of receiving notice of the order, the person subject to the order may request in writing a
12 hearing before the Commissioner. Upon receipt of such a request, the Commissioner shall
13 calendar a hearing within 15 days. If a licensee does not request a hearing, the order will
14 remain in effect unless it is modified or vacated by the Commissioner.

15 **"§ 53-244.114. Licensure authority.**

16 (a) The Commissioner may, by order, deny, suspend, revoke, or refuse to issue or
17 renew a license of a licensee or applicant under this Article, or may restrict or limit the manner
18 in which a licensee, applicant, or any person who owns an interest in or participates in the
19 business of a licensee engages in the mortgage business, if the Commissioner finds both of the
20 following:

- 21 (1) That the order is in the public interest; and
22 (2) That any of the following circumstances apply to the applicant, licensee, or
23 any partner, member, manager, officer, director, loan officer, limited loan
24 officer, qualifying individual, or any person occupying a similar status or
25 performing similar functions or any person directly or indirectly controlling
26 the applicant or licensee. The person:
27 a. Has filed an application for licensure, report, or other document to
28 the Commissioner that, as of its effective date or as of any date after
29 filing, contained any statement that, in light of the circumstances
30 under which it was made, is false or misleading with respect to any
31 material fact;
32 b. Has violated or failed to comply with any provision of this Article,
33 rule adopted by the Commissioner, or order of the Commissioner;
34 c. Is permanently or temporarily enjoined by any court of competent
35 jurisdiction from engaging in or continuing any conduct or practice
36 involving any aspect of the mortgage business;
37 d. Is the subject of an order of the Commissioner denying or suspending
38 that person's license as a mortgage loan originator, mortgage broker,
39 mortgage lender, or mortgage servicer;
40 e. Is the subject of an order entered within the past five years by the
41 authority of any state with jurisdiction over that state's mortgage
42 brokerage, mortgage lending, or mortgage servicing industry denying
43 that person's license as a mortgage loan originator, mortgage broker,
44 mortgage lender, or mortgage servicer;
45 f. Fails at any time to meet the requirements of G.S. 53-244.060, 53-
46 244.070, 53-244.080, 53-244.090, 53-244.100, 53-244.103, or 53-
47 244.104;
48 g. Controls or has controlled any mortgage broker, mortgage lender, or
49 mortgage servicer who has been subject to an order or injunction
50 described in sub-subdivision c., d., or e. of this subdivision;

- 1 h. Has been the qualifying individual, branch manager, or mortgage
2 loan originator of a licensee who had knowledge of or reasonably
3 should have had knowledge of, or participated in, any activity that
4 resulted in the entry of an order under this Article suspending or
5 withdrawing the license of a licensee;
6 i. Has failed to respond to inquiries from the Commissioner or the
7 Commissioner's designee regarding any complaints filed against the
8 licensee which allege or appear to involve violation of this Article or
9 any law or rule affecting the mortgage lending business; or
10 j. Has failed to respond to and cooperate fully with notices from the
11 Commissioner or the Commissioner's designee relating to the
12 scheduling and conducting of an examination or investigation under
13 this Article.

14 (b) In the event the Commissioner has reason to believe that a licensee, individual, or
15 person subject to this Article may have violated or failed to comply with any provision of this
16 Article, the Commissioner may:

- 17 (1) Summarily order the licensee, individual, or person to cease and desist from
18 any harmful activities or violations of this Article; or
19 (2) Summarily suspend the license of the licensee under this Article.

20 These summary powers are in addition to the summary suspension procedures authorized
21 by G.S. 150B-3(c).

22 **"§ 53-244.115. Investigation and examination authority.**

23 (a) For purposes of initial licensing, license renewal, suspension, conditioning,
24 revocation, or termination, or general or specific inquiry, investigation, or examination to
25 determine compliance with this Article, the Commissioner may, at the expense of the applicant
26 or licensee, access, receive, and use any books, accounts, records, files, documents,
27 information, or evidence, including:

- 28 (1) Criminal, civil, and administrative history information, including
29 nonconviction data;
30 (2) Personal history and experience information, including independent credit
31 reports obtained from a consumer reporting agency described in section
32 603(p) of the Fair Credit Reporting Act; and
33 (3) Any other documents, information, or evidence the Commissioner deems
34 relevant to the inquiry, investigation, or examination regardless of the
35 location, possession, control, or custody of the documents, information, or
36 evidence.

37 (b) For purposes of investigating violations or complaints arising under this Article, or
38 for the purposes of examination, the Commissioner may review, investigate, or examine any
39 licensee, individual, or person subject to this Article as often as necessary in order to carry out
40 the purposes of this Article. The Commissioner may interview the officer, principals, person
41 with control, qualified individual, mortgage loan originators, employees, independent
42 contractors, agents, and customers of the licensee, individual, or person concerning their
43 business. The Commissioner may direct, subpoena, or order the attendance of and examine
44 under oath all persons whose testimony may be required about the loans or the business or
45 subject matter of any examination or investigation and may direct, subpoena, or order the
46 person to produce books, accounts, records, files, and any other documents the Commissioner
47 deems relevant to the inquiry. The reasonable cost of the investigation or examination shall be
48 charged against the licensee, individual, or person subject to this Article.

49 (c) Each licensee, individual, or person subject to this Article shall make available to
50 the Commissioner upon request the books and records relating to the operations of the licensee,
51 individual, or person. No licensee, individual, or person subject to investigation or examination

1 under this section may knowingly withhold, abstract, remove, mutilate, destroy, or secrete any
2 books, records, computer records, or other information. Each licensee, individual, or person
3 subject to this Article shall also make available for interview by the Commissioner the officers,
4 principals, persons with control, qualified individuals, mortgage loan originators, employees,
5 independent contractors, agents, and customers of the licensee, individual, or person
6 concerning their business.

7 (d) Each licensee, individual, or person subject to this Article shall make or compile
8 such reports or prepare other information as may be directed or requested by the Commissioner
9 in order to carry out the purposes of this section, including:

10 (1) Accounting compilations;

11 (2) Information lists and data concerning loan transactions in a format
12 prescribed by the Commissioner;

13 (3) Periodic reports, including:

14 a. Annual Report Questionnaire,

15 b. Servicer Activity Report,

16 c. Servicer Schedule of the Ranges of Costs and Fees,

17 d. Lender/Servicer Audited Statements of Financial Condition,

18 e. Broker Certified Statements of Financial Condition, and

19 f. Quarterly Loan Origination Reports.

20 (4) Any other information deemed necessary to carry out the purposes of this
21 section.

22 (e) In making any examination or investigation authorized by this Article, the
23 Commissioner may control access to any documents and records of the licensee or person
24 under examination or investigation. The Commissioner may take possession of the documents
25 and records or place a person in exclusive charge of the documents and records in the place
26 where they are usually kept. During the period of control, no individual or person shall remove
27 or attempt to remove any of the documents and records except pursuant to a court order or with
28 the consent of the Commissioner. Unless the Commissioner has reasonable grounds to believe
29 the documents or records of the licensee have been or are at risk of being altered or destroyed
30 for purposes of concealing a violation of this Article, the licensee or owner of the documents
31 and records shall have access to the documents or records as necessary to conduct its ordinary
32 business.

33 (f) In order to carry out the purposes of this section, the Commissioner may:

34 (1) Retain attorneys, accountants, or other professionals and specialists as
35 examiners, auditors, or investigators to conduct or assist in the conduct of
36 examinations or investigations;

37 (2) Enter into agreements or relationships with other government officials or
38 regulatory associations in order to improve efficiencies and reduce
39 regulatory burden by sharing resources, standardized or uniform methods or
40 procedures, documents, records, information, or evidence obtained under
41 this section;

42 (3) Use, hire, contract, or employ public or privately available analytical
43 systems, methods, or software to examine or investigate the licensee,
44 individual, or person subject to this Article;

45 (4) Accept and rely on examination or investigation reports made by other
46 government officials, within or without this State; or

47 (5) Accept audit reports made by an independent certified public accountant for
48 the licensee, individual, or person in the course of that part of the
49 examination covering the same general subject matter as the audit and may
50 incorporate the audit report in the report of the examination, report of
51 investigation, or other writing of the Commissioner.

1 (g) In addition to the authority granted by G.S. 53-244.113 and G.S. 53-244.115, the
2 Commissioner is authorized to take action, including summary suspension of the license, if the
3 licensee fails, within 20 days or a lesser time if specifically requested for good cause, to:

4 (1) Respond to inquiries from the Commissioner or the Commissioner's
5 designee regarding any complaints filed against the licensee that allege or
6 appear to involve violation of this Article or any law or rule affecting the
7 mortgage lending business;

8 (2) Respond to and cooperate fully with notices from the Commissioner or the
9 Commissioner's designee relating to the scheduling and conducting of an
10 examination or investigation under this Article; or

11 (3) Consent to a criminal history record check. The refusal shall constitute
12 grounds for the Commissioner to deny licensure to the applicant as well as to
13 any entity:

14 a. By whom or by which the applicant is employed,

15 b. Over which the applicant has control, or

16 c. As to which the applicant is the current or proposed qualifying
17 individual or a current or proposed branch manager.

18 (h) The authority of this section shall remain in effect, whether a licensee, individual, or
19 person subject to this Article acts or claims to act under any licensing law of the State, or
20 claims to act without such authority.

21 **"§ 53-244.116. Disciplinary authority.**

22 (a) The Commissioner may, by order:

23 (1) Take any action authorized under G.S. 53-244.113.

24 (2) Impose a civil penalty upon a licensee, individual, or person subject to this
25 Article, or upon any partner, officer, director, or other person occupying a
26 similar status or performing similar functions on behalf of a licensee or other
27 person subject to this Article for any violation of or failure to comply with
28 this Article. The civil penalty shall not exceed twenty-five thousand dollars
29 (\$25,000) for each violation of or failure to comply with this Article. Each
30 violation of or failure to comply with this Article shall be a separate and
31 distinct violation.

32 (3) Impose a civil penalty upon a licensee, individual, or person subject to this
33 Article, or upon any partner, officer, director, or other person occupying a
34 similar status or performing similar functions on behalf of a licensee or other
35 person subject to this Article for any violation of or failure to comply with
36 any directive or order of the Commissioner. The civil penalty shall not
37 exceed twenty-five thousand dollars (\$25,000) for each violation of or
38 failure to comply with any directive or order of the Commissioner. Each
39 violation of or failure to comply with any directive or order of the
40 Commissioner shall be a separate and distinct violation.

41 (4) Require a licensee, individual, or person subject to this Article to disgorge
42 and pay to a borrower or other individual any amounts received by the
43 licensee, individual, or person subject to the Article, including any employee
44 of the person, to the extent that the amounts were collected in violation of
45 Chapter 24 of the General Statutes or in excess of those allowed by law.

46 (5) Prohibit licensees under this Article from engaging in acts and practices in
47 connection with residential mortgage loans that the Commissioner finds to
48 be unfair, deceptive, designed to evade the laws of this State, or that are not
49 in the best interest of the borrowing public.

50 (b) When a licensee is accused of any act, omission, or misconduct that would subject
51 the licensee to disciplinary action, the licensee, with the consent and approval of the

1 Commissioner, may surrender the license and all the rights and privileges pertaining to it. A
2 person who surrenders a license shall not be eligible for or submit any application for licensure
3 under this Article.

4 (c) The requirements of this Article apply to any person who seeks to avoid its
5 application by any device, subterfuge, or pretense whatsoever, including structuring a loan in a
6 manner to avoid classification of the loan as a residential mortgage loan.

7 **"§ 53-244.117. Foreclosure suspension.**

8 In the event the Commissioner shall have evidence that a material violation of law has
9 occurred in the origination or servicing of a loan then being foreclosed or then delinquent and
10 in threat of foreclosure, and that the putative violation would be sufficient in law or equity to
11 base a claim or affirmative defense that would affect the validity or enforceability of the
12 underlying contract or the right to foreclose, then the Commissioner may notify the clerk of
13 superior court, and the clerk shall suspend foreclosure proceedings on the mortgage for 60 days
14 from the date of the notice. In the event that the Commissioner notifies the clerk, the
15 Commissioner shall also notify the servicer, if known, and provide an opportunity to cure the
16 violation or provide information to the Commissioner to rebut the evidence of the suspected
17 violation. If the violation is cured or the information satisfies the Commissioner that no
18 material violation has occurred, the Commissioner shall notify the clerk so that the foreclosure
19 proceeding may be resumed. The authority granted to the Commissioner in this section is in
20 addition to any powers or authority granted to the Commissioner under Chapter 45 of the
21 General Statutes.

22 **"§ 53-244.118. Rule-making authority; records.**

23 (a) The Commissioner may adopt any rules that the Commissioner deems necessary to
24 carry out the provisions of this Article, to provide for the protection of the borrowing public, to
25 prohibit unfair or deceptive practices, to instruct mortgage lenders, mortgage brokers, mortgage
26 servicers, or mortgage loan originators in interpreting this Article, and to implement and
27 interpret the provisions of G.S. 24-1.1E, 24-1.1F, and 24-10.2 as they apply to licensees under
28 this Article.

29 (b) The Commissioner shall keep a list of all applicants for licensure under this Article
30 or claimants of exempt status under G.S. 53-244.050(g) that includes the date of application,
31 name, place of residence, and whether the license or claim of exempt status was granted or
32 denied.

33 (c) The Commissioner shall keep a current roster showing the names and places of
34 business of all licensees that shows their respective mortgage loan originators and a roster of
35 exempt persons required to file a notice under G.S. 53-244.050(g). The roster shall:

36 (1) Be kept on file in the office of the Commissioner;

37 (2) Contain information regarding all orders or other actions taken against the
38 licensees and other persons; and

39 (3) Be open to public inspection.

40 **"§ 53-244.119. Commissioner's participation in nationwide registry.**

41 (a) The Commissioner shall require mortgage loan originators to be licensed and
42 registered through the Nationwide Mortgage Licensing System and Registry. In order to carry
43 out this requirement, the Commissioner is authorized to participate in the Nationwide Mortgage
44 Licensing System and Registry. For this purpose, the Commissioner may establish by rule any
45 requirements as necessary, including:

46 (1) Background checks for:

47 a. Criminal history through fingerprint or other databases;

48 b. Civil or administrative records;

49 c. Credit history; or

50 d. Any other information as deemed necessary by the Nationwide
51 Mortgage Licensing System and Registry.

- 1 (2) The payment of fees to apply for, renew, or amend licenses through the
2 Nationwide Mortgage Licensing System and Registry;
3 (3) The setting or resetting as necessary of renewal or reporting dates; and
4 (4) Requirements for amending or surrendering a license or any other activities
5 as the Commissioner deems necessary for participation in the Nationwide
6 Mortgage Licensing System and Registry.

7 (b) The Commissioner is authorized to establish relationships or contracts with the
8 Nationwide Mortgage Licensing System and Registry or other entities designated by the
9 Nationwide Mortgage Licensing System and Registry to collect and maintain records and
10 process transaction fees or other fees related to licensees or other persons subject to this Article.

11 (c) For the purpose of participating in the Nationwide Mortgage Licensing System and
12 Registry, the Commissioner is authorized to waive or modify, in whole or in part, any or all of
13 the requirements of this Article and to establish new requirements as reasonably necessary to
14 participate in the Nationwide Mortgage Licensing System and Registry.

15 (d) The Commissioner is authorized to enter into agreements to license the use of the
16 proprietary software owned by the Office of the Commissioner of Banks to banking, mortgage,
17 or financial services supervisory agencies of other states.

18 **"§ 53-244.120. Confidentiality of information.**

19 (a) Notwithstanding any State law to the contrary, the Commissioner shall report
20 enforcement actions under this Article and may report other relevant information to the
21 Nationwide Mortgage Licensing System and Registry.

22 (b) The Commissioner is authorized to enter agreements or sharing arrangements with
23 other governmental agencies, the Conference of State Bank Supervisors, the American
24 Association of Residential Mortgage Regulators, or other associations representing
25 governmental agencies and may share otherwise confidential information pursuant to these
26 written agreements.

27 (c) The requirements of G.S. 53-99(b) regarding the privacy or confidentiality of any
28 information or material provided under subsections (a) and (b) of this section, and any privilege
29 arising under any other federal or State law with respect to such information or material, shall
30 continue to apply to the information or material after it has been disclosed to an entity
31 described in subsections (a) or (b) of this section. Information or material held by such an entity
32 shall not be subject to disclosure under any State law governing the disclosure to the public of
33 information held by an officer or agency of the State. The entities described in subsection (a)
34 and (b) of this section may share information and material with all State and federal regulatory
35 officials with mortgage industry oversight authority without the loss of privilege or the loss of
36 confidentiality protections provided by State or federal law.

37 (d) Any provision of Chapter 132 of the General Statutes relating to the disclosure of
38 confidential supervisory information or of any information or material described in subsection
39 (a) of this section that is inconsistent with this section shall be superseded by the requirements
40 of this section.

41 (e) The confidentiality provisions contained in subsection (c) of this section shall not
42 apply with respect to the information or material relating to the employment history of and
43 publicly adjudicated disciplinary and enforcement actions against mortgage lenders, mortgage
44 brokers, mortgage servicers, or mortgage loan originators that is included in the Nationwide
45 Mortgage Licensing System and Registry for access by the public.

46 **"§ 53-244.121. Review by Banking Commission.**

47 The Banking Commission may review any rule, regulation, order, or act of the
48 Commissioner made pursuant to or with respect to the provisions of this Article and any person
49 aggrieved by any rule, regulation, order, or act may, pursuant to G.S. 53-92(d), appeal to the
50 Banking Commission for review upon giving 20 days' written notice after the rule, regulation,
51 order, or act is adopted or issued. The notice of appeal shall specifically state the grounds for

1 appeal and, in the case of an appeal from a contested case proceeding before the Commissioner,
2 shall set forth in numbered order the assignments of error for review by the Banking
3 Commission. Failure to specify the assignments of error shall constitute grounds to dismiss the
4 appeal. Failure to comply with the briefing schedule as provided by the Banking Commission
5 shall also constitute grounds to dismiss the appeal. Notwithstanding any other provision of law,
6 any party aggrieved by a decision of the Banking Commission shall be entitled to an appeal
7 pursuant to G.S. 53-92(d)."

8 **SECTION 3.** Severability. – If any provision of this act or its application to any
9 person or circumstance is held invalid, the remainder of the act or the application of the
10 provision to other persons or circumstances is not affected. Any provision of this act deemed by
11 HUD to conflict with its interpretation of the S.A.F.E. Act, Title V, shall be interpreted,
12 applied, or amended in such a way as to comply with the S.A.F.E. Act as interpreted by HUD.
13 The Commissioner shall adopt rules or take such other actions as necessary to ensure the
14 continued jurisdiction over and supervision of the mortgage business in this State to the fullest
15 extent possible.

16 **SECTION 4.** Rules. – Unless inconsistent with the provisions of Article 19B of
17 Chapter 53 of the General Statutes, as enacted by Section 2 of this act, the rules adopted
18 pursuant to former Article 19A of Chapter 53 of the General Statutes governing mortgage
19 bankers and brokers and loan officers shall remain in effect until superseded by rules adopted
20 under Article 19B of Chapter 53 of the General Statutes, as enacted by Section 2 of this act.

21 **SECTION 5.** Transition. – All persons licensed and in good standing pursuant to
22 Article 19A of Chapter 53 of the General Statutes, as repealed by Section 1 of this act, as of the
23 effective date of this act, shall maintain their status as licensees and shall be subject to the
24 provisions of Article 19B, as enacted by Section 2 of this act, in accordance with the following
25 transitional rules:

26 (a) All persons licensed and in good standing pursuant to Article 19A of
27 Chapter 53 of the General Statutes as of the effective date of this act shall have the following
28 licensed status:

- 29 (1) Any person licensed as a loan officer pursuant to Article 19A of Chapter 53
30 of the General Statutes shall be deemed to be licensed as a mortgage loan
31 originator as defined in G.S. 53-244.030(21), as enacted by Section 2 of this
32 act;
- 33 (2) Any person licensed as a mortgage banker pursuant to Article 19A of
34 Chapter 53 of the General Statutes shall be deemed to be licensed as a
35 mortgage lender as defined in G.S. 53-244.030(20), as enacted by Section 2
36 of this act;
- 37 (3) Any person licensed as a mortgage broker pursuant to Article 19A of
38 Chapter 53 of the General Statutes shall be deemed to be licensed as a
39 mortgage broker as defined in G.S. 53-244.030(19); and
- 40 (4) Any person licensed as a mortgage servicer pursuant to Article 19A of
41 Chapter 53 of the General Statutes shall be deemed to be licensed as a
42 mortgage servicer as defined in G.S. 53-244.030(22).

43 (b) For the renewal period ending December 31, 2009, any person deemed a
44 mortgage loan originator pursuant to subdivision (a)(1) of this section must have met the
45 requirements of this act for renewal, including the initial license requirements of
46 G.S. 53-244.060, except G.S. 53-244.060(5) and G.S. 53-244.060(6), provided that the
47 mortgage loan originator would have met the requirements for continuing education under
48 G.S. 53-243.07(b), as repealed by Section 1 of this act. After December 31, 2009, applicants for
49 renewal must meet all requirements for renewal under G.S. 53-244.101.

50 (c) Persons who maintain a bond posted and accepted by the Commissioner as
51 satisfying G.S. 53-243.05(f), as repealed by Section 1 of this act, shall be deemed to comply

1 with the requirements of G.S. 53-244.103, as enacted by Section 2 of this act, through
2 December 31, 2009.

3 (d) To the extent that loss mitigation specialists are included in the definition of
4 a mortgage loan originator through an action by the U.S. Department of Housing and Urban
5 Development, the Commissioner shall take necessary steps to license these individuals as
6 mortgage loan originators in a timely fashion in a manner that ensures this act fulfills the
7 requirements of the S.A.F.E. Act to maintain jurisdiction and supervision of the mortgage
8 business to the fullest extent possible.

9 (e) Any person who has been enjoined by the Commissioner of Banks or a court
10 of competent jurisdiction from serving in any capacity defined under Article 19A of Chapter 53
11 of the General Statutes, as repealed by Section 1 of this act, shall not be allowed to apply for or
12 act in any similar capacity as defined by G.S. 53-244.030, as enacted by Section 2 of this act.
13 Any person whose license under Article 19A of Chapter 53 of the General Statutes, as repealed
14 by Section 1 of this act, was subject to any terms, conditions, or affirmative duties imposed by
15 the Commissioner of Banks or a court of competent jurisdiction shall be subject to the same
16 terms, conditions, or affirmative duties for any similar license issued under G.S. 53-244.060 or
17 renewed under G.S. 53-244.101, as enacted by Section 2 of this act.

18 **SECTION 6.** Except as otherwise provided by Section 5 of this act, this act
19 becomes effective July 1, 2009, and applies to all applications for licensure as a mortgage loan
20 originator, mortgage lender, mortgage broker, or mortgage servicer filed on or after that date.