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To: Clients and Friends

From: David F. Dulock

Subject: CFPB Interpretive Rule Regarding Screening and Training Requirements for Individual Mortgage Loan Originators with Temporary Authority to Originate Consumer Mortgage Loans

In the November 19, 2019, issue of the *Federal Register* (84 FR 63791, [click here](#)) the Consumer Financial Protection Bureau (CFPB) issued an Interpretive Rule concluding that a loan originator organization is not required to comply with the screening and training requirements in §1026.36(f)(3) of Regulation Z for an individual loan originator employee authorized to act as a loan originator pursuant to the temporary authority described in the Mortgage Licensing Act of 2008 (SAFE Act) as amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 (EGRRCPA, Public Law 115-174, Section 106, *see attachment*). These amendments permit certain individuals who were previously registered or State-licensed for a certain period of time pursuant to the SAFE Act to act as a loan originator in a State, if they have applied for a loan originator license in that State pursuant to the temporary authority described in the SAFE Act.

These EGRRCPA amendments to the SAFE Act take effect on November 24, 2019, and the Interpretive Rule will also become effective on that date.

In the preamble to the Interpretive Rule, the CFPB states that it plans to incorporate the content of the Interpretive Rule in the Official Interpretations to Regulation Z at a later date.

Attach: EGRRCPA, Public Law 115-174, Section 106, Eliminating Barriers to Jobs for Loan Originators

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SEC. 106. ELIMINATING BARRIERS TO JOBS FOR LOAN ORIGINATORS.

(a) IN GENERAL.—The S.A.F.E. Mortgage Licensing Act of 2008 (12 U.S.C. 5101 et seq.) is amended by adding at the end the following:

“SEC. 1518. EMPLOYMENT TRANSITION OF LOAN ORIGINATORS.

“(a) DEFINITIONS.—In this section:

“(1) APPLICATION STATE.—The term ‘application State’ means a State in which a registered loan originator or a State-licensed loan originator seeks to be licensed.

“(2) STATE-LICENSED MORTGAGE COMPANY.—The term ‘State-licensed mortgage company’ means an entity that is licensed or registered under the law of any State to engage in residential mortgage loan origination and processing activities.

“(b) TEMPORARY AUTHORITY TO ORIGINATE LOANS FOR LOAN ORIGINATORS MOVING FROM A DEPOSITORY INSTITUTION TO A NON-DEPOSITORY INSTITUTION.—

“(1) IN GENERAL.—Upon becoming employed by a State-licensed mortgage company, an individual who is a registered loan originator shall be deemed to have temporary authority to act as a loan originator in an application State for the period described in paragraph (2) if the individual—

“(A) has not had—

“(i) an application for a loan originator license denied; or

“(ii) a loan originator license revoked or suspended in any governmental jurisdiction;

“(B) has not been subject to, or served with, a cease and desist order—

“(i) in any governmental jurisdiction; or

“(ii) under section 1514(c);

“(C) has not been convicted of a misdemeanor or felony that would preclude licensure under the law of the application State;

“(D) has submitted an application to be a State-licensed loan originator in the application State; and

“(E) was registered in the Nationwide Mortgage Licensing System and Registry as a loan originator during the 1-year period preceding the date on which the information required under section 1505(a) is submitted.

“(2) PERIOD.—The period described in this paragraph shall begin on the date on which an individual described in paragraph (1) submits the information required under section 1505(a) and shall end on the earliest of the date—

“(A) on which the individual withdraws the application to be a State-licensed loan originator in the application State;

“(B) on which the application State denies, or issues a notice of intent to deny, the application;

“(C) on which the application State grants a State license; or

“(D) that is 120 days after the date on which the individual submits the application, if the application is listed on the Nationwide Mortgage Licensing System and Registry as incomplete.

“(c) TEMPORARY AUTHORITY TO ORIGINATE LOANS FOR STATE-LICENSED LOAN ORIGINATORS MOVING INTERSTATE.—

“(1) IN GENERAL.—A State-licensed loan originator shall be deemed to have temporary authority to act as a loan originator in an application State for the period described in paragraph (2) if the State-licensed loan originator—

“(A) meets the requirements of subparagraphs (A), (B), (C), and (D) of subsection (b)(1);

“(B) is employed by a State-licensed mortgage company in the application State; and

“(C) was licensed in a State that is not the application State during the 30-day period preceding the date on which the information required under section 1505(a) was submitted in connection with the application submitted to the application State.

“(2) PERIOD.—The period described in this paragraph shall begin on the date on which the State-licensed loan originator submits the information required under section 1505(a) in connection with the application submitted to the application State and end on the earliest of the date—

“(A) on which the State-licensed loan originator withdraws the application to be a State-licensed loan originator in the application State;

“(B) on which the application State denies, or issues a notice of intent to deny, the application;

“(C) on which the application State grants a State license; or

“(D) that is 120 days after the date on which the State-licensed loan originator submits the application, if the application is listed on the Nationwide Mortgage Licensing System and Registry as incomplete.

“(d) APPLICABILITY.—

“(1) EMPLOYER OF LOAN ORIGINATORS.—Any person employing an individual who is deemed to have temporary authority to act as a loan originator in an application State under this section shall be subject to the requirements of this title and to applicable State law to the same extent as if that individual was a State-licensed loan originator licensed by the application State.

“(2) ENGAGING IN MORTGAGE LOAN ACTIVITIES.—Any individual who is deemed to have temporary authority to act as a loan originator in an application State under this section and who engages in residential mortgage loan origination activities shall be subject to the requirements of this title and to applicable State law to the same extent as if that individual was a State-licensed loan originator licensed by the application State.”.

(b) TABLE OF CONTENTS AMENDMENT.—Section 1(b) of the Housing and Economic Recovery Act of 2008 (42 U.S.C. 4501 note) is amended by inserting after the item relating to section 1517 the following:

“Sec. 1518. Employment transition of loan originators.”.

(c) CIVIL LIABILITY.—Section 1513 of the S.A.F.E. Mortgage Licensing Act of 2008 (12 U.S.C. 5112) is amended by striking “persons who are loan originators or are applying for licensing or registration as loan originators.” and inserting “persons who—

“(1) have applied, are applying, or are licensed or registered through the Nationwide Mortgage Licensing System and Registry; and

“(2) work in an industry with respect to which persons were licensed or registered through the Nationwide Mortgage Licensing System and Registry on the date of enactment of the Economic Growth, Regulatory Relief, and Consumer Protection Act.”.

(d) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on the date that is 18 months after the date of enactment of this Act.