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April 20, 2012

To: Clients and Friends

From: David F. Dulock

Subject: Consumer Financial Protection Bureau (CFPB) Issues Transitional Loan Originator Licensing Guidance – CFPB Bulletin 2012-05

Finally some good news from the CFPB. On April 19, 2012, the CFPB released the above referenced Bulletin, which states that the Federal SAFE Act (12 USC Chapter 51) and Regulation H (12 CFR Part 1008) permit a level of reciprocity between the states for granting loan originator licenses.

The Bulletin provides that:

- The Federal SAFE Act and Regulation H allow a state (if it chooses) to provide a transitional loan originator license to an individual who holds a valid loan originator license from another state.

- To receive a transitional loan originator license from the second state, an individual must meet either a net worth or surety bond requirement, or pay into a state fund, as required by the second state's loan originator supervisory authority, consistent with the Federal SAFE Act and Regulation H.

- Regulation H does not allow states to provide for a transitional license for a registered (but unlicensed) loan originator who leaves a federally regulated institution[1] to act as a loan originator while pursuing a Federal SAFE Act-compliant state license.

This memorandum only provides a brief explanation of the Bulletin, and you are advised to read the Bulletin to determine its applicability to your lending practices. The Bulletin may be found at the following web address:
http://files.consumerfinance.gov/f/201204_cfpb_bulletin_safe-act-transitional-loan-originator-licensing.pdf.

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[1] Regulation H does not require employees of federally regulated institutions who are registered with and have a unique identifier with NMLSR to be licensed.