

Introduction

The Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act) is a federal law that was enacted in 2008. The SAFE Act requirements were added to California state law through Senate Bill 36, signed in 2009. The SAFE Act enhances consumer protection and reduces fraud by setting minimum standards for the licensing and registration of state-licensed mortgage loan originators (MLOs).

An MLO is defined as an individual who takes a residential mortgage loan application or offers or negotiates terms of a residential mortgage loan for compensation or gain. Note: Individuals who conduct business as an independent loan processor or underwriter must hold a real estate broker license with an MLO endorsement.

An MLO license endorsement may only be issued to currently licensed individuals or corporations. To perform residential mortgage loan activities in California, real estate licensees must submit and obtain an MLO license endorsement electronically through the Nationwide Mortgage Licensing System (NMLS) at <http://mortgage.nationwidelicingsystem.org/Pages/default.aspx>. Also, the employing party must create a company relationship and establish sponsorship with the licensee.

All California Department of Real Estate (DRE) license requirements remain intact after an MLO license endorsement is issued. MLO license endorsements are renewed on an annual basis. Licensees are required to complete eight hours of MLO continuing education through an NMLS-approved course provider in the year the license endorsement is renewed.

Application and Fee Requirements

MLO license endorsement applications and fees are filed electronically in NMLS. The type of application(s) filed and fees submitted depends on the current real estate license type:

Individual (MU4) Form

- All salespersons, brokers, or broker/officers performing MLO activities must file this form, including brokers or broker/officers who only supervise other MLO licensees and may not personally perform MLO activities.

Company (MU1) Form

- All brokers who intend to conduct MLO activities on their own must file this form as a sole proprietor.
- All corporations that employ licensees performing MLO activities must file this form as a corporation.

Individual (MU2) Form

- This form is filed in combination with any Company (MU1) form and sets forth details on owners, officers, and control persons. There is no fee required for filing the Individual (MU2) form.

Branch Office (MU3) Form

- This form must be filed by any broker or corporation to establish a branch office location where MLO activities are performed.

Consult the DRE website, www.dre.ca.gov, for more details.



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How to Obtain a Mortgage Loan Originator License



How to Apply for an MLO License Endorsement

- 1. Registration:** Applicants must request an account in NMLS (<http://mortgage.nationwidelicencingsystem.org/Pages/default.aspx>) to obtain an NMLS unique ID number.
- 2. Testing:** Applicants must pass the SAFE MLO test, which is administered at Prometric testing centers, not DRE examination sites. Exams can be scheduled through NMLS, Prometric's website (www.prometric.com), or by calling Prometric directly at (877) 671-6657 after the testing fees have been paid through NMLS.
- 3. Prelicensure Education:** Applicants must complete 20 hours of NMLS-approved prelicensure education courses in the following areas:
 - Three hours of federal law and regulations.
 - Three hours of ethics, including fraud, consumer protection, and fair lending issues.
 - Two hours of training related to lending standards for the nontraditional mortgage product marketplace.
 - 12 hours of undefined instruction on mortgage origination.

The prelicense education does not need to be completed prior to taking the SAFE MLO test, but must be completed before an endorsement is issued.

- 4. File MU Application(s):** Applicants must submit the appropriate MU application(s) based on their current California real estate license type.
 - **Salesperson:** Individual (MU4) form
 - **Individual Broker:** Individual (MU4) form
 - **Corporation and Broker/Officer:** Company (MU1) form and Individual (MU4) form
 - **Sole Proprietor:** Company (MU1) form and Individual (MU4) form

Applicants must also submit a background check request and a credit report request when submitting the Individual (MU4) form.



Background Requirement

The SAFE Act requires that each MLO applicant submit a set of fingerprints through NMLS. Fingerprints submitted to obtain a California real estate license are not acceptable. A new set of fingerprints must be submitted to NMLS when applying for an MLO license endorsement.

Special Information Regarding Prior Violations

The SAFE Act provides for the denial of an MLO under any of the following conditions:

- If the applicant has ever been convicted of a felony involving an act of fraud, dishonesty, breach of trust, or money laundering, or convicted of any felony in the seven-year period before filing an application for an endorsement.
- If an applicant has ever had a loan originator license revoked in any governmental jurisdiction.
- If an applicant has demonstrated a lack of financial responsibility, character, and general fitness such as to command the confidence of the community and to warrant a determination that the applicant will operate honestly, fairly, and efficiently.

Financial Responsibility—Credit Report Requirement

The SAFE Act requires that each MLO applicant authorize NMLS to obtain a credit report. This step will be initiated at the time the MLO license endorsement application is filed.

Commissioner's Regulation 2758.3: Evidence of Financial Responsibility addresses how DRE will evaluate the financial responsibility requirement for MLO license endorsement applicants.

Additional Information

- DBAs (trade or fictitious names) and branch office locations used for mortgage loan origination activities must be established on DRE records before adding to their NMLS record.
- Corporation designated broker/officers must have an approved Individual (MU4) filing before the Company (MU1) filing for the corporation will be approved.
- Brokers working as a sole proprietor must have an approved Individual (MU4) filing before the Company (MU1) filing for the sole proprietor will be approved.

Resources

DRE website: www.dre.ca.gov/Licensees

DRE Public Information Line: (877) 373-4542

NMLS Call Center: (855) 665-7123

NMLS Resource Center (quick guides, tutorials, navigation guides, sample forms, policy guidebook): <http://mortgage.nationwidelicencingsystem.org>

Contact DRE

To contact the California Department of Real Estate, call (877) 373-4542 toll-free for assistance in English or Spanish.

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8620 Spectrum Center Blvd.,
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For more information about MLO license endorsement requirements, visit DRE's website at www.dre.ca.gov/Licensees/MLOLicense.html.