



# NEWS RELEASE

FOR IMMEDIATE RELEASE: January 20, 2011

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## **California Department of Real Estate Implements New Licensing Law for Mortgage Loan Originators Consumer Protections Bolstered with New Requirements**

SACRAMENTO – Oversight of residential mortgage loan originators has been vastly improved with the implementation of new licensing requirements for mortgage originators in California. These new licensing requirements place stricter standards on individuals who originate residential mortgage loans. These standards are intended to keep unscrupulous operators out of the business while ensuring those in the business have demonstrated an understanding of the laws and regulations regarding mortgage lending. And for the first time, all residential mortgage loan originators will have to register with a national database allowing consumers to check with a single source to make certain they are doing business with a properly licensed mortgage loan originator.

As of January 1<sup>st</sup>, the California Department of Real Estate (DRE), the state agency that licenses and regulates a majority of mortgage brokers in California, successfully implemented new licensing requirements for mortgage loan originators who also hold a real estate license. The DRE follows the California Department of Corporations who implemented the new requirements for its registrants in July 2010.

“Part of the financial meltdown can be attributed to unscrupulous mortgage brokers who placed unsophisticated borrowers into complicated loan products that the borrower did not fully understand,” stated Real Estate Commissioner Jeff Davi. “The new standards will go a long way to ensure unsavory characters are not allowed into the business and the national registry gives consumers more complete information on their originator before signing any loan application,” added Davi.

The new requirements are a result of the passage of federal law that required states to adopt uniform standards for those wanting to originate residential home loans. In 2008, the *Secure and Fair Enforcement for Mortgage Licensing Act of 2008* (“SAFE Act”) was signed into law and California subsequently passed conforming legislation that gave real estate licensees until January 1, 2011 to obtain a mortgage loan originator (MLO) license endorsement. Without a MLO license endorsement, a real estate licensee can no longer legally originate or broker residential mortgage loans.

Under the SAFE Act, mortgage loan originators must meet numerous professional requirements including the completion of 20 hours of pre-licensure education, they must pass an examination covering federal law, state law, and ethics, clear a federal and state criminal background check, and MLOs must complete annual continuing education in order to renew their MLO license endorsement.

The SAFE Act also requires all mortgage loan originators to register with the National Mortgage Licensing System and Registry (NMLS) where consumers can check the license status of a loan originator by viewing the *NMLS Consumer Access* (<http://www.nmlsconsumeraccess.org/>). The consumer then can confirm, free of charge, that any mortgage company or mortgage professional with



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whom they wish to conduct business is licensed in the state. Originators who work at depository institutions, like banks and credit unions will have to register with the system later this year. The database also allows regulators to determine if a MLO has been disciplined or revoked by another jurisdiction which will prevent dishonest originators from closing shop and opening a new business in a different state or location.

Prior to the deadline, the DRE was able to process all of the MLO license endorsement applications that were qualified. As of January 1, the DRE issued over 22,000 MLO license endorsements. MLO license endorsements applications continue to flood in and the DRE expects to eventually issue over 30,000 endorsements.

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