

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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HOUSE BILL 1523

Short Title: S.A.F.E. Mortgage Licensing Act. (Public)

Sponsors: Representatives Blue; Faison, E. Floyd, Hughes, and Lucas.

Referred to: Financial Institutions, if favorable, Finance.

April 20, 2009

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**SECTION 1.** Article 19A of Chapter 53 of the General Statutes is repealed.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) "Affiliate" means any company that controls, is controlled by, or is under common control with another company, as set forth in the Bank Holding



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

1           b.    To make or fund, or offer to make or fund, or advance funds on  
2           residential mortgage loans for compensation or gain, or in the  
3           expectation of compensation or gain.

4           c.    To engage, whether for compensation or gain from another or on  
5           one's own behalf, in the business of receiving any scheduled periodic  
6           payments from a borrower pursuant to the terms of any residential  
7           mortgage loan, including amounts for escrow accounts, and making  
8           the payments of principal and interest and such other payments with  
9           respect to the amounts received from the borrower as may be  
10           required pursuant to the terms of the residential mortgage loan, the  
11           residential mortgage loan servicing documents, or servicing contract,  
12           or otherwise to meet the definition of the term "servicer" in 12 U.S.C.  
13           § 2605(i)(2) with respect to residential mortgage loans.

14       (11) "Employee" means an individual who has an employment relationship with a  
15       mortgage broker, mortgage lender, or mortgage servicer and who is treated  
16       as a common law employee for purposes of compliance with the federal  
17       income tax laws and whose income is reported on IRS Form W-2.

18       (12) "Federal banking agencies" means the Board of Governors of the Federal  
19       Reserve System, the Office of the Comptroller of the Currency, the Office of  
20       Thrift Supervision, the National Credit Union Administration, and the  
21       Federal Deposit Insurance Corporation.

22       (13) "Immediate family member" means a spouse, child, sibling, parent,  
23       grandparent, or grandchild, or the spouse of an immediate family member.  
24       This term includes stepparents, stepchildren, stepsiblings, and adoptive  
25       relationships.

26       (14) "Individual" means a natural person.

27       (15) "Licensee" means a mortgage loan originator, mortgage broker, mortgage  
28       lender, or mortgage servicer or other person who is licensed pursuant to this  
29       Article.

30       (16) "Loan processor or underwriter" means an individual who performs clerical  
31       or support duties as an employee at the direction of and subject to the  
32       supervision and instruction of a person licensed or exempt from licensing  
33       under this Article. Clerical or support duties may include, subsequent to the  
34       receipt of an application:

35           a.    The receipt, collection, distribution, and analysis of information  
36           common for the processing or underwriting of a residential mortgage  
37           loan; and

38           b.    Communicating with a consumer to obtain the information necessary  
39           for the processing or underwriting of a loan, to the extent that such  
40           communication does not include offering or negotiating loan rates or  
41           terms or counseling consumers about residential mortgage loan rates  
42           or terms.

43       Any person who represents to the public, through advertising or other means  
44       of communication, or provides information, including the use of business  
45       cards, stationery, brochures, signs, rate lists, or other promotional items, that  
46       the individual can or will perform any of the activities of a mortgage loan  
47       originator shall not be deemed to be a loan processor or underwriter under  
48       this definition.

49       (17) "Loss mitigation specialist" means an employee of a mortgage servicer  
50       authorized to (i) collect or receive payments, including payments of  
51       principal, interest, escrow amounts, and other amounts due on existing

1 residential mortgage loans due and owing to the licensed lender or servicer  
2 when the borrower is in default or in reasonably foreseeable likelihood of  
3 default, (ii) work with the borrower to collect data, and (iii) make decisions  
4 necessary to modify, either temporarily or permanently, certain terms of  
5 those residential mortgage loans or to otherwise finalize collection through  
6 the foreclosure process. Such decisions shall include any change in the  
7 principal amount of the debt, the rate of annual interest charged, the term of  
8 the loan, the waiver of any fees or charges, including late charges, the  
9 deferral of payments, or any other similar matter.

10 (18) "Make a residential mortgage loan" means to advance funds, to offer to  
11 advance funds, to make a commitment to advance funds to a borrower under  
12 a mortgage loan, or to fund a residential mortgage loan.

13 (19) "Mortgage broker" means a person engaged in the mortgage business as  
14 defined in sub-subdivision a. of subdivision (10) of this section.

15 (20) "Mortgage lender" means a person engaged in the mortgage business as  
16 defined in sub-subdivision a. of subdivision (10) of this section. However,  
17 the definition does not include a person who acts as a mortgage lender only  
18 in a tablefunding transaction.

19 (21) "Mortgage loan originator" means:

20 a. An individual who for compensation or gain or in the expectation of  
21 compensation or gain, whether through contact by telephone, by  
22 electronic means, by mail, or in person with prospective borrowers,  
23 either:

- 24 1. Takes a residential mortgage loan application or offers or  
25 negotiates terms of a residential mortgage loan,
- 26 2. Accepts or offers to accept applications for mortgage loans,
- 27 3. Solicits or offers to solicit a mortgage loan,
- 28 4. Negotiates the terms or conditions of a mortgage loan, or
- 29 5. Issues mortgage loan commitments or interest rate guarantee  
30 agreements to prospective borrowers.

31 b. The term includes an individual acting solely as a loss mitigation  
32 specialist if the United State Department of Housing and Urban  
33 Development issues a guideline, rule, regulation, or interpretative  
34 letter that such individuals are loan originators as the term is defined  
35 by § 1503 of Title V of the Housing and Economic Recovery Act of  
36 2008, Public Law 110-289, and only to the extent of such an issuance  
37 or determination.

38 c. The term does not include:

- 39 1. An individual engaged solely as a loan processor or  
40 underwriter;
- 41 2. A person or entity that only performs real estate brokerage  
42 activities and is licensed or registered as such in accordance  
43 with State law, unless the person or entity is compensated by  
44 a mortgage lender, a mortgage broker, or other mortgage loan  
45 originator or by any agent of a mortgage lender, mortgage  
46 broker, or other mortgage loan originator;
- 47 3. A person or entity solely involved in extensions of credit or  
48 sale of time share instruments relating to time share plans, as  
49 that term is defined in G.S. 93A-41(9a); or
- 50 4. An individual who only informs a prospective borrower of  
51 the availability of persons engaged in the mortgage business,

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

- 1 e. Offering to engage in any activity, or act in any capacity, described  
2 in sub-subdivision a., b., c., or d. of this subdivision.
- 3 (29) "Registered mortgage loan originator" means any individual who meets the  
4 definition of mortgage loan originator, is registered with, and maintains a  
5 unique identifier through the Nationwide Mortgage Licensing System and  
6 Registry and is an employee of:
- 7 a. A depository institution;  
8 b. A subsidiary that is owned and controlled by a depository institution  
9 and regulated by a federal banking agency; or  
10 c. An institution regulated by the Farm Credit Administration.
- 11 (30) "Residential mortgage loan" means any loan made or represented to be made  
12 to a natural person or persons primarily for personal, family, or household  
13 use that is secured by a mortgage, deed of trust, or other equivalent  
14 consensual security interest on a dwelling located within this State or  
15 residential real estate upon which is constructed or intended to be  
16 constructed a dwelling.
- 17 (31) "Residential real estate" means any real property located in this State upon  
18 which is constructed or intended to be constructed a dwelling.
- 19 (32) "RESPA" means the Real Estate Settlement Procedures Act, 12 U.S.C. §  
20 2601, et seq., as it may be hereafter amended.
- 21 (33) "Tablefunding" means a transaction in which a person closes a residential  
22 mortgage loan in its own name but with funds provided by another and in  
23 which the loan is assigned to the mortgage lender actually providing the  
24 funds within one business day of the funding of the loan.
- 25 (34) "Unique identifier" means a number or other identifier assigned by protocols  
26 established by the Nationwide Mortgage Licensing System and Registry.

27 **"§ 53-244.040. License and registration requirements.**

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

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

- 38 (1) A mortgage broker license authorizes a person to act as a mortgage broker as  
39 defined in G.S. 53-244.030(19);
- 40 (2) A mortgage lender license authorizes a person to act as a mortgage lender as  
41 defined in G.S. 53-244.030(20), a mortgage broker as defined under  
42 G.S. 53-244.030(19), and upon notice to the Commissioner, a mortgage  
43 servicer as defined in G.S. 53-244.030(22).
- 44 (3) A mortgage servicer license authorizes a person to act only as a mortgage  
45 servicer as defined in G.S. 53-244.030(22).

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

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

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

- 1           (2) Any individual who offers or negotiates terms of a residential mortgage loan  
2 with or on behalf of an immediate family member of the individual when  
3 offering or negotiating the terms of a residential mortgage loan;  
4           (3) Any individual seller who offers or negotiates terms and makes a residential  
5 mortgage loan secured by the dwelling that served as the selling individual's  
6 residence;  
7           (4) An attorney licensed pursuant to Chapter 84 of the General Statutes who  
8 negotiates the terms of a residential mortgage loan on behalf of a client in  
9 the course of and incident to the attorney's representation of the client, so  
10 long as the attorney does not hold himself out as engaged in the mortgage  
11 business and is not compensated by a mortgage lender, a mortgage broker, or  
12 other mortgage loan originator when negotiating the terms of a residential  
13 mortgage loan;  
14           (5) Any entity described in G.S. 53-244.030(29)a., b., or c., upon acceptance of  
15 the notice of exemption filed with the Commissioner as specified in  
16 G.S. 53-244.050(g);  
17           (6) Any officer or employee of an entity described in subdivision (5) of this  
18 subsection when acting within the scope of his or her employment; or  
19           (7) A State or federally chartered credit union, upon filing of a notice of  
20 exemption with the Administrator of the Credit Union Division of the  
21 Department of Commerce as specified in G.S. 53-244.050(g).

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

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

42 **"§ 53-244.050. License and registration application; claim of exemption.**

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

- 46           (1) The applicant's name and address, including street address, mailing address,  
47 e-mail, telephone contact information, and social security number or  
48 taxpayer identification number.  
49           (2) The applicant's form and place of organization, if applicable.  
50           (3) The applicant's proposed method of and locations for doing business, if  
51 applicable.

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



1 mortgage lending or other experience or meet competency  
2 requirements as the Commissioner may impose.

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

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

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

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

15 b. Information related to any administrative, civil, or criminal findings  
16 by any governmental jurisdiction.

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

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

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

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

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

45 (g) Except as provided by subsection (h) of this section, persons engaged in the  
46 mortgage business and exempt from licensure pursuant to G.S. 53-244.040(d)(5) shall notify  
47 the Commissioner in order to claim and confirm the exemption and to facilitate the referral of  
48 consumers that contact the Commissioner. The Commissioner shall prescribe a form for such a  
49 claim of exemption that shall contain:

50 (1) The name of the exempt person;

51 (2) The basis of the exempt status of the exempt person;

- 1           (3) The principal business address and contact information for the exempt  
2           person; and  
3           (4) The State or federal regulatory authority responsible for the exempt person's  
4           supervision, examination, or regulation.

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

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

12 **"§ 53-244.060. Issuance of license.**

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

- 16           (1) The applicant has had a mortgage loan originator or mortgage lender,  
17 mortgage broker, or mortgage servicer license revoked in any governmental  
18 jurisdiction, except that a subsequent formal vacation of the revocation shall  
19 not be deemed a revocation.
- 20           (2) The applicant or its controlling persons have been convicted of, or plead  
21 guilty or nolo contendere to a felony in a domestic, foreign, or military  
22 court:  
23           a. During the seven-year period preceding the date of the application  
24 for licensing and registration; or  
25           b. At any time preceding the date of application, if the felony involved  
26 an act of fraud, dishonesty, a breach of trust, or money laundering.  
27           A pardon of a conviction shall not be a conviction for purposes of this  
28 subdivision.
- 29           (3) The applicant or any of its controlling persons have been convicted of, or  
30 plead guilty or nolo contendere to any charge in a domestic, foreign, or  
31 military court, within the past five years, of a misdemeanor involving moral  
32 turpitude or any fraud, false statement or omission, any theft or wrongful  
33 taking of property, bribery, perjury, forgery, counterfeiting, extortion, or  
34 conspiracy to commit any of these offenses, or involving any financial  
35 service or financial service-related business.
- 36           (4) The applicant has demonstrated a lack of financial responsibility, character,  
37 or general fitness such as to fail to command the confidence of the  
38 community and to warrant a determination that the mortgage loan originator  
39 or other licensee will operate honestly, fairly, and efficiently within the  
40 purposes of this Article. For purposes of this subdivision, a person shows a  
41 lack of financial responsibility when the person has shown a disregard in the  
42 management of the person's own financial affairs. Evidence that a person has  
43 not shown financial responsibility may include:  
44           a. Current outstanding judgments, except judgments resulting solely  
45 from medical expenses;  
46           b. Current outstanding tax liens or other government liens and filings;  
47           c. Foreclosures within the past three years; or  
48           d. A pattern of serious delinquent accounts within the past three years.
- 49           (5) The mortgage loan originator applicant has failed to complete the  
50 prelicensing education requirement described in G.S. 53-244.070.

- 1           (6)   The mortgage loan originator applicant has failed to pass a written test that  
2           meets the requirements described in G.S. 53-244.080.
- 3           (7)   The mortgage lender, mortgage broker, or mortgage servicer applicant has  
4           failed to meet the surety bond requirement described in G.S. 53-244.103.
- 5           (8)   The mortgage lender, mortgage broker, or mortgage servicer applicant fails  
6           to meet the minimum net worth requirement as described in  
7           G.S. 53-244.104.
- 8           (9)   The applicant's participation in the mortgage business will not be in the  
9           public interest.

10   **"§ 53-244.070. Educational requirements for mortgage loan originators.**

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

- 14                   (1)   Three hours of federal law and regulations;  
15                   (2)   Three hours of ethics, including instruction on fraud, consumer protection,  
16                   and fair lending issues;  
17                   (3)   Two hours of training related to lending standards for nontraditional  
18                   mortgage products; and  
19                   (4)   Four hours of North Carolina laws and regulations.

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

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

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

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

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

39   **"§ 53-244.080. Testing requirements for mortgage loan originators.**

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

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

- 49                   (1)   Ethics;  
50                   (2)   Federal law and regulation pertaining to mortgage origination;  
51                   (3)   North Carolina law and regulation pertaining to mortgage origination; and

1           (4) Federal and North Carolina law and regulations relating to fraud, consumer  
2           protection, nontraditional mortgage products, and fair lending issues.

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

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

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

18 **"§ 53-244.090. License application fees.**

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

25           (b) Each principal and each branch office of a mortgage broker or mortgage lender  
26 licensed under the provisions of this Article shall be issued a separate license for which the  
27 Commissioner shall assess a nonrefundable filing fee of one hundred twenty-five dollars  
28 (\$125.00) in addition to the Nationwide Mortgage Licensing System and Registry processing  
29 fee. A licensed mortgage broker or mortgage lender shall file with the Commissioner a notice  
30 on a form prescribed by the Commissioner that identifies the address of the principal office and  
31 each branch office and its designated branch manager. Payment of the license fee under  
32 subsection (a) of this section shall be deemed to cover the location license fee for the principal  
33 office of each mortgage lender, mortgage broker, or mortgage servicer without payment of an  
34 additional one hundred twenty-five dollars (\$125.00) under this subsection.

35 **"§ 53-244.100. Active license requirements and assignability.**

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

42           (b) The license of a mortgage loan originator is not effective during any period when  
43 that person is not employed by a mortgage lender, mortgage broker, or mortgage servicer  
44 licensed under this Article. When a mortgage loan originator ceases to be employed by a  
45 mortgage lender, mortgage broker, or mortgage servicer licensed under this Article, the  
46 mortgage loan originator, and the mortgage lender, mortgage broker, or mortgage servicer  
47 licensed under this Article by whom that person is employed shall promptly notify the  
48 Commissioner in writing. The mortgage lender, mortgage broker, or mortgage servicer shall  
49 include a statement of the specific reason for the termination of the mortgage loan originator's  
50 employment. A mortgage loan originator shall not be employed simultaneously by more than  
51 one mortgage lender, mortgage broker, or mortgage servicer licensed under this Article.

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

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

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

12 **"§ 53-244.101. License renewal.**

13       (a) All licenses issued by the Commissioner under the provisions of this Article shall  
14 expire annually on the 31<sup>st</sup> day of December following issuance or on any other date that the  
15 Commissioner may determine. The license is invalid after that date and shall remain invalid  
16 unless renewed under subsection (b) of this section.

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

22           (1) Licensed mortgage lenders, licensed mortgage brokers, and licensed  
23 mortgage servicers shall pay an annual renewal fee of six hundred  
24 twenty-five dollars (\$625.00), and licensed mortgage lenders and mortgage  
25 brokers shall pay one hundred twenty-five dollars (\$125.00) for each  
26 licensed branch office.

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

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

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

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

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

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

46       (e) When required by the Commissioner, each person shall furnish to the Commissioner  
47 the person's consent to a criminal history record check and a set of the person's fingerprints in a  
48 form acceptable to the Commissioner or to the Nationwide Mortgage Licensing System and  
49 Registry. Refusal to consent to a criminal history record check shall constitute grounds for the  
50 Commissioner to deny renewal of the license of the person as well as the license of any other

1 person by whom the person is employed, over which the person has control, or as to which the  
2 person is the current or proposed qualifying individual or current or proposed branch manager.

3 **"§ 53-244.102. Continuing education for mortgage loan originators.**

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

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

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

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

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

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

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

21 (d) A licensed mortgage loan originator:

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

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

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

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

35 **"§ 53-244.103. Surety bond requirements.**

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

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

44 (1) A mortgage lender, mortgage broker, or mortgage servicer shall post a  
45 minimum surety bond of one hundred fifty thousand dollars (\$150,000). In  
46 order to act as a mortgage loan originator, the mortgage loan originator must  
47 be covered by the surety bond of a mortgage lender, mortgage broker, or  
48 mortgage servicer licensed under this Article.

49 (2) If a mortgage lender or mortgage broker has originated mortgage loans in  
50 North Carolina in a 12-month period ended December 31 in excess of ten  
51 million dollars (\$10,000,000) but less than fifty million dollars

1 (\$50,000,000), then the licensee's minimum bond amount shall be two  
2 hundred fifty thousand dollars (\$250,000).

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

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

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

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

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

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

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

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

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

40 **"§ 53-244.104. Minimum net worth requirements.**

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

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

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

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

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

11 **"§ 53-244.105. Records, addresses, escrow funds, or trust accounts.**

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

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

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

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

38 **"§ 53-244.106. Display of license.**

39           Each mortgage broker or mortgage lender licensed under this Article shall display, in plain  
40 public view, the certificate of licensure issued by the Commissioner in its principal office and  
41 in each branch office. Each mortgage loan originator licensed under this Article shall display,  
42 in plain public view, in each branch office in which the individual acts as a mortgage loan  
43 originator the certificate of licensure issued by the Commissioner.

44 **"§ 53-244.107. Unique identifier shown.**

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

49 **"§ 53-244.108. Reports.**

50           Each mortgage lender, mortgage broker, or mortgage servicer licensee shall submit to the  
51 Commissioner and to the Nationwide Mortgage Licensing System and Registry reports of



1 condition and any other reports requested by the Commissioner pursuant to G.S. 53-244.115(d).  
2 The reports shall be in the form and shall contain any information that the Commissioner or  
3 Nationwide Mortgage Licensing System and Registry may require.

4 **"§ 53-244.109. Mortgage broker duties.**

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

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

31 **"§ 53-244.110. Mortgage servicer duties.**

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

- 35 (1) Safeguard and account for any money handled for the borrower.
- 36 (2) Follow reasonable and lawful instructions from the borrower.
- 37 (3) Act with reasonable skill, care, and diligence.
- 38 (4) File with the Commissioner a complete, current schedule of the ranges of  
39 costs and fees it charges borrowers for its servicing-related activities with its  
40 application and renewal and with its supplemental filings made from time to  
41 time.
- 42 (5) File with the Commissioner upon request a report in a form and format  
43 acceptable to the Commissioner detailing the servicer's activities in this  
44 State, including:
  - 45 a. The number of mortgage loans the servicer is servicing.
  - 46 b. The type and characteristics of the loans in this State.
  - 47 c. The number of serviced loans in default, along with a breakdown of  
48 30-, 60-, and 90-day delinquencies.
  - 49 d. Information on loss mitigation activities, including details on  
50 workout arrangements undertaken.
  - 51 e. Information on foreclosures commenced in this State.

- 1           (6)    At the time a servicer accepts assignment of servicing rights for a mortgage  
2           loan, the servicer shall disclose to the borrower all of the following:  
3           a.       Any notice required by RESPA or by regulations promulgated  
4           thereunder.  
5           b.       A schedule of the ranges and categories of its costs and fees for its  
6           servicing-related activities, which shall comply with North Carolina  
7           law and which shall not exceed those reported to the Commissioner.  
8           c.       A notice in a form and content acceptable to the Commissioner that  
9           the servicer is licensed by the Commissioner and that complaints  
10           about the servicer may be submitted to the Commissioner.  
11           d.       Any notice required by Article 2A, 4, or 10 of Chapter 45 of the  
12           General Statutes.  
13           (7)    In the event of a delinquency or other act of default on the part of the  
14           borrower, the mortgage servicer shall act in good faith to inform the  
15           borrower of the facts concerning the loan and the nature and extent of the  
16           delinquency or default and, if the borrower replies, to negotiate with the  
17           borrower, subject to the mortgage servicer's duties and obligations under the  
18           mortgage servicing contract, if any, to attempt a resolution or workout to the  
19           delinquency.

20    **"§ 53-244.111. Prohibited acts.**

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

- 23           (1)    To misrepresent or conceal the material facts or make false promises likely  
24           to influence, persuade, or induce an applicant for a mortgage loan or a  
25           mortgagor to take a mortgage loan, or to pursue a course of  
26           misrepresentation through agents or otherwise.  
27           (2)    To improperly refuse to issue a satisfaction of a mortgage.  
28           (3)    To fail to account for or to deliver to any person any funds, documents, or  
29           other thing of value obtained in connection with a mortgage loan, including  
30           money provided by a borrower for a real estate appraisal or a credit report,  
31           which the mortgage lender, mortgage broker, mortgage servicer, or mortgage  
32           loan originator is not entitled to retain under the circumstances.  
33           (4)    To pay, receive, or collect in whole or in part any commission, fee, or other  
34           compensation for brokering or servicing a mortgage loan in violation of this  
35           Article, including a mortgage loan brokered or serviced by any unlicensed  
36           person other than an exempt person.  
37           (5)    To charge or collect any fee or rate of interest or to make or broker or  
38           service any mortgage loan with terms or conditions or in a manner contrary  
39           to the provisions of Chapters 24, 45, or 54 of the General Statutes.  
40           (6)    To advertise mortgage loans, including rates, margins, discounts, points,  
41           fees, commissions, or other material information, including material  
42           limitations on the loans, unless the person is able to make the mortgage loans  
43           available to a reasonable number of qualified applicants.  
44           (7)    To fail to disburse funds in accordance with a written commitment or  
45           agreement to make a mortgage loan.  
46           (8)    To engage in any transaction, practice, or course of business that is not in  
47           good faith or fair dealing or that constitutes a fraud upon any person in  
48           connection with the brokering or making or servicing of, or purchase or sale  
49           of, any mortgage loan.  
50           (9)    To fail to pay promptly when due reasonable fees to a licensed appraiser for  
51           appraisal services that are:

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

1 such that the forced placement was not necessary, the mortgage servicer  
2 shall refund the entire premium.

3 (21) For a mortgage servicer to refuse to reinstate a delinquent loan upon a tender  
4 of payment made timely under the contract which is sufficient in amount,  
5 based upon the last written statement received by the borrower, to pay all  
6 past due amounts, outstanding or overdue charges, and restore the loan to a  
7 nondelinquent status, but this reinstatement shall be available to a borrower  
8 no more than twice in any 24-month period.

9 (22) For a person acting as a mortgage servicer to fail to mail, at least 45 days  
10 before foreclosure is initiated, a notice addressed to the borrower at the  
11 borrower's last known address with the following information:

12 a. An itemization of all past due amounts causing the loan to be in  
13 default.

14 b. An itemization of any other charges that must be paid in order to  
15 bring the loan current.

16 c. A statement that the borrower may have options available other than  
17 foreclosure and that the borrower may discuss the options with the  
18 mortgage lender, the mortgage servicer, or a counselor approved by  
19 the U.S. Department of Housing and Urban Development (HUD).

20 d. The address, telephone number, and other contact information for the  
21 mortgage lender, the mortgage servicer, or the agent for either of  
22 them who is authorized to attempt to work with the borrower to avoid  
23 foreclosure.

24 e. The name, address, telephone number, and other contact information  
25 for one or more HUD-approved counseling agencies operating to  
26 assist borrowers in North Carolina to avoid foreclosure.

27 f. The address, telephone number, and other contact information for the  
28 consumer complaint section of the Office of the Commissioner of  
29 Banks.

30 (23) To fail to make all payments from any escrow account held for the borrower  
31 for insurance, taxes, and other charges with respect to the property in a  
32 timely manner so as to ensure that no late penalties are assessed or other  
33 negative consequences result regardless of whether the loan is delinquent,  
34 unless there are not sufficient funds in the account to cover the payments and  
35 the mortgage servicer has a reasonable basis to believe that recovery of the  
36 funds will not be possible.

37 **"§ 53-244.112. Criminal penalties for unlicensed activity.**

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

41 **"§ 53-244.113. Regulatory authority.**

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

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

49 (c) Upon the issuance of any summary order permitted under this Article, including  
50 summary suspensions and cease and desist orders, the Commissioner shall promptly notify the  
51 person subject to the order that the order has been entered and the reasons for the order. Within

1 20 days of receiving notice of the order, the person subject to the order may request in writing a  
2 hearing before the Commissioner. Upon receipt of such a request, the Commissioner shall  
3 calendar a hearing within 15 days. If a licensee does not request a hearing, the order will  
4 remain in effect unless it is modified or vacated by the Commissioner.

5 **§ 53-244.114. Licensure authority.**

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

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

1 scheduling and conducting of an examination or investigation under  
2 this Article.

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

6 (1) Summarily order the licensee, individual, or person to cease and desist from  
7 any harmful activities or violations of this Article; or

8 (2) Summarily suspend the license of the licensee under this Article.

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

11 **"§ 53-244.115. Investigation and examination authority.**

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

17 (1) Criminal, civil, and administrative history information, including  
18 nonconviction data;

19 (2) Personal history and experience information, including independent credit  
20 reports obtained from a consumer reporting agency described in section  
21 603(p) of the Fair Credit Reporting Act; and

22 (3) Any other documents, information, or evidence the Commissioner deems  
23 relevant to the inquiry, investigation, or examination regardless of the  
24 location, possession, control, or custody of the documents, information, or  
25 evidence.

26 (b) For purposes of investigating violations or complaints arising under this Article, or  
27 for the purposes of examination, the Commissioner may review, investigate, or examine any  
28 licensee, individual, or person subject to this Article as often as necessary in order to carry out  
29 the purposes of this Article. The Commissioner may interview the officer, principals, person  
30 with control, qualified individual, mortgage loan originators, employees, independent  
31 contractors, agents, and customers of the licensee, individual, or person concerning their  
32 business. The Commissioner may direct, subpoena, or order the attendance of and examine  
33 under oath all persons whose testimony may be required about the loans or the business or  
34 subject matter of any examination or investigation and may direct, subpoena, or order the  
35 person to produce books, accounts, records, files, and any other documents the Commissioner  
36 deems relevant to the inquiry. The reasonable cost of the investigation or examination shall be  
37 charged against the licensee, individual, or person subject to this Article.

38 (c) Each licensee, individual, or person subject to this Article shall make available to  
39 the Commissioner upon request the books and records relating to the operations of the licensee,  
40 individual, or person. No licensee, individual, or person subject to investigation or examination  
41 under this section may knowingly withhold, abstract, remove, mutilate, destroy, or secrete any  
42 books, records, computer records, or other information. Each licensee, individual, or person  
43 subject to this Article shall also make available for interview by the Commissioner the officers,  
44 principals, persons with control, qualified individuals, mortgage loan originators, employees,  
45 independent contractors, agents, and customers of the licensee, individual, or person  
46 concerning their business.

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

50 (1) Accounting compilations;

- 1           (2) Information lists and data concerning loan transactions in a format  
2           prescribed by the Commissioner;  
3           (3) Periodic reports, including:  
4           a. Annual Report Questionnaire,  
5           b. Servicer Activity Report,  
6           c. Servicer Schedule of the Ranges of Costs and Fees,  
7           d. Lender/Servicer Audited Statements of Financial Condition,  
8           e. Broker Certified Statements of Financial Condition, and  
9           f. Quarterly Loan Origination Reports.  
10          (4) Any other information deemed necessary to carry out the purposes of this  
11          section.

12          (e) In making any examination or investigation authorized by this Article, the  
13 Commissioner may control access to any documents and records of the licensee or person  
14 under examination or investigation. The Commissioner may take possession of the documents  
15 and records or place a person in exclusive charge of the documents and records in the place  
16 where they are usually kept. During the period of control, no individual or person shall remove  
17 or attempt to remove any of the documents and records except pursuant to a court order or with  
18 the consent of the Commissioner. Unless the Commissioner has reasonable grounds to believe  
19 the documents or records of the licensee have been or are at risk of being altered or destroyed  
20 for purposes of concealing a violation of this Article, the licensee or owner of the documents  
21 and records shall have access to the documents or records as necessary to conduct its ordinary  
22 business.

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

- 24          (1) Retain attorneys, accountants, or other professionals and specialists as  
25 examiners, auditors, or investigators to conduct or assist in the conduct of  
26 examinations or investigations;  
27          (2) Enter into agreements or relationships with other government officials or  
28 regulatory associations in order to improve efficiencies and reduce  
29 regulatory burden by sharing resources, standardized or uniform methods or  
30 procedures, documents, records, information, or evidence obtained under  
31 this section;  
32          (3) Use, hire, contract, or employ public or privately available analytical  
33 systems, methods, or software to examine or investigate the licensee,  
34 individual, or person subject to this Article;  
35          (4) Accept and rely on examination or investigation reports made by other  
36 government officials, within or without this State; or  
37          (5) Accept audit reports made by an independent certified public accountant for  
38 the licensee, individual, or person in the course of that part of the  
39 examination covering the same general subject matter as the audit and may  
40 incorporate the audit report in the report of the examination, report of  
41 investigation, or other writing of the Commissioner.

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

- 45          (1) Respond to inquiries from the Commissioner or the Commissioner's  
46 designee regarding any complaints filed against the licensee that allege or  
47 appear to involve violation of this Article or any law or rule affecting the  
48 mortgage lending business;  
49          (2) Respond to and cooperate fully with notices from the Commissioner or the  
50 Commissioner's designee relating to the scheduling and conducting of an  
51 examination or investigation under this Article; or

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

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

5                   b.     Over which the applicant has control, or

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

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

11    **"§ 53-244.116. Disciplinary authority.**

12           (a)    The Commissioner may, by order:

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

14                   (2)    Impose a civil penalty upon a licensee, individual, or person subject to this  
15                           Article, or upon any partner, officer, director, or other person occupying a  
16                           similar status or performing similar functions on behalf of a licensee or other  
17                           person subject to this Article for any violation of or failure to comply with  
18                           this Article. The civil penalty shall not exceed twenty-five thousand dollars  
19                           (\$25,000) for each violation of or failure to comply with this Article. Each  
20                           violation of or failure to comply with this Article shall be a separate and  
21                           distinct violation.

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

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

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

40           (b)    When a licensee is accused of any act, omission, or misconduct that would subject  
41                   the licensee to disciplinary action, the licensee, with the consent and approval of the  
42                   Commissioner, may surrender the license and all the rights and privileges pertaining to it. A  
43                   person who surrenders a license shall not be eligible for or submit any application for licensure  
44                   under this Article.

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

48    **"§ 53-244.117. Foreclosure suspension.**

49           In the event the Commissioner shall have evidence that a material violation of law has  
50                   occurred in the origination or servicing of a loan then being foreclosed or then delinquent and  
51                   in threat of foreclosure, and that the putative violation would be sufficient in law or equity to



1 base a claim or affirmative defense that would affect the validity or enforceability of the  
2 underlying contract or the right to foreclose, then the Commissioner may notify the clerk of  
3 superior court, and the clerk shall suspend foreclosure proceedings on the mortgage for 60 days  
4 from the date of the notice. In the event that the Commissioner notifies the clerk, the  
5 Commissioner shall also notify the servicer, if known, and provide an opportunity to cure the  
6 violation or provide information to the Commissioner to rebut the evidence of the suspected  
7 violation. If the violation is cured or the information satisfies the Commissioner that no  
8 material violation has occurred, the Commissioner shall notify the clerk so that the foreclosure  
9 proceeding may be resumed. The authority granted to the Commissioner in this section is in  
10 addition to any powers or authority granted to the Commissioner under Chapter 45 of the  
11 General Statutes.

12 **"§ 53-244.118. Rule-making authority; records.**

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

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

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

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

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

29 (3) Be open to public inspection.

30 **"§ 53-244.119. Commissioner's participation in nationwide registry.**

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

36 (1) Background checks for:

37 a. Criminal history through fingerprint or other databases;

38 b. Civil or administrative records;

39 c. Credit history; or

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

42 (2) The payment of fees to apply for, renew, or amend licenses through the  
43 Nationwide Mortgage Licensing System and Registry;

44 (3) The setting or resetting as necessary of renewal or reporting dates; and

45 (4) Requirements for amending or surrendering a license or any other activities  
46 as the Commissioner deems necessary for participation in the Nationwide  
47 Mortgage Licensing System and Registry.

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

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

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

8 **"§ 53-244.120. Confidentiality of information.**

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

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

17       (c) The requirements of G.S. 53-99(b) regarding the privacy or confidentiality of any  
18 information or material provided under subsections (a) and (b) of this section, and any privilege  
19 arising under any other federal or State law with respect to such information or material, shall  
20 continue to apply to the information or material after it has been disclosed to an entity  
21 described in subsections (a) or (b) of this section. Information or material held by such an entity  
22 shall not be subject to disclosure under any State law governing the disclosure to the public of  
23 information held by an officer or agency of the State. The entities described in subsection (a)  
24 and (b) of this section may share information and material with all State and federal regulatory  
25 officials with mortgage industry oversight authority without the loss of privilege or the loss of  
26 confidentiality protections provided by State or federal law.

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

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

36 **"§ 53-244.121. Review by Banking Commission.**

37       The Banking Commission may review any rule, regulation, order, or act of the  
38 Commissioner made pursuant to or with respect to the provisions of this Article and any person  
39 aggrieved by any rule, regulation, order, or act may, pursuant to G.S. 53-92(d), appeal to the  
40 Banking Commission for review upon giving 20 days' written notice after the rule, regulation,  
41 order, or act is adopted or issued. The notice of appeal shall specifically state the grounds for  
42 appeal and, in the case of an appeal from a contested case proceeding before the Commissioner,  
43 shall set forth in numbered order the assignments of error for review by the Banking  
44 Commission. Failure to specify the assignments of error shall constitute grounds to dismiss the  
45 appeal. Failure to comply with the briefing schedule as provided by the Banking Commission  
46 shall also constitute grounds to dismiss the appeal. Notwithstanding any other provision of law,  
47 any party aggrieved by a decision of the Banking Commission shall be entitled to an appeal  
48 pursuant to G.S. 53-92(d)."

49       **SECTION 3.** Severability. – If any provision of this act or its application to any  
50 person or circumstance is held invalid, the remainder of the act or the application of the  
51 provision to other persons or circumstances is not affected. Any provision of this act deemed by

1 HUD to conflict with its interpretation of the S.A.F.E. Act, Title V, shall be interpreted,  
2 applied, or amended in such a way as to comply with the S.A.F.E. Act as interpreted by HUD.  
3 The Commissioner shall adopt rules or take such other actions as necessary to ensure the  
4 continued jurisdiction over and supervision of the mortgage business in this State to the fullest  
5 extent possible.

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

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

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

- 19 (1) Any person licensed as a loan officer pursuant to Article 19A of Chapter 53  
20 of the General Statutes shall be deemed to be licensed as a mortgage loan  
21 originator as defined in G.S. 53-244.030(21), as enacted by Section 2 of this  
22 act;
- 23 (2) Any person licensed as a mortgage banker pursuant to Article 19A of  
24 Chapter 53 of the General Statutes shall be deemed to be licensed as a  
25 mortgage lender as defined in G.S. 53-244.030(20), as enacted by Section 2  
26 of this act;
- 27 (3) Any person licensed as a mortgage broker pursuant to Article 19A of  
28 Chapter 53 of the General Statutes shall be deemed to be licensed as a  
29 mortgage broker as defined in G.S. 53-244.030(19); and
- 30 (4) Any person licensed as a mortgage servicer pursuant to Article 19A of  
31 Chapter 53 of the General Statutes shall be deemed to be licensed as a  
32 mortgage servicer as defined in G.S. 53-244.030(22).

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

40 (c) Persons who maintain a bond posted and accepted by the Commissioner as  
41 satisfying G.S. 53-243.05(f), as repealed by Section 1 of this act, shall be deemed to comply  
42 with the requirements of G.S. 53-244.103, as enacted by Section 2 of this act, through  
43 December 31, 2009.

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

50 (e) Any person who has been enjoined by the Commissioner of Banks or a court  
51 of competent jurisdiction from serving in any capacity defined under Article 19A of Chapter 53

1 of the General Statutes, as repealed by Section 1 of this act, shall not be allowed to apply for or  
2 act in any similar capacity as defined by G.S. 53-244.030, as enacted by Section 2 of this act.  
3 Any person whose license under Article 19A of Chapter 53 of the General Statutes, as repealed  
4 by Section 1 of this act, was subject to any terms, conditions, or affirmative duties imposed by  
5 the Commissioner of Banks or a court of competent jurisdiction shall be subject to the same  
6 terms, conditions, or affirmative duties for any similar license issued under G.S. 53-244.060 or  
7 renewed under G.S. 53-244.101, as enacted by Section 2 of this act.

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