



Tuesday, June 10, 2008

Suggested Guidelines for Rules for Mortgage Originators

**Presented to Commissioner, Greg Gonzales and the Staff of
The Tennessee Department of Financial Institutions**

1. Pre-licensure Continuing Education and Exam for all new originators:

A. Twenty-four (24) hours of live classroom instruction including:

Ethics, Forms, Documentation, Advertising, RESPA, TILA, FCRA, Fair Lending, Privacy Act, ECOA, State Laws, etc. (NAMB 16 Hour Residential Mortgage Lending School - NAMB 1010 plus an 4 Hour State Law Module and a 4 Hour Mortgage Broker Business Ethics - NAMB 4010)

Residential Mortgage Lending School or RML - NAMB 1010

Course Description

The RML School is a 16 hour, comprehensive training course designed to reinforce the basics of conforming residential mortgage loan origination. The School focuses on the documents, processes and regulations involved in residential mortgage lending, specifically:

- Mortgage Industry Overview
- Types of Mortgage Loans
- Mortgage Origination and Regulations
- Pre-Qualifying the Borrower
- Taking the Residential Loan Application
- Underwriting Standards
- Packaging a Mortgage Loan
- Loan Documentation
- Appraisals and the Valuation Process
- Analysis of Loan Turn Downs
- Aspects of Loan Closing
- Loan Servicing
- Economics of the Secondary Market

Why should I attend?

The RML School teaches broad-based knowledge of the mortgage lending process through practical application and intensive study of the loan cycle. Each job function in loan origination is explored- from application through servicing and the secondary market.

Course Text:

Residential Mortgage School Participant Manual

The training format of the RML School is highly interactive and is designed to explore complex topics through lecture, group activity and instructor-led discussions.



Mortgage Broker Business Ethics - NAMB 4010

Course Description

As regulatory pressure continues to promulgate business practices, mortgage broker business ethics becomes an essential mechanism to promote professionalism, develop regulator and legislator respect, and gain consumer confidence.

Mortgage Broker Business Ethics explores the basic concept of ethics in relation to business judgment and practice. The internal and external decision-making process of mortgage professionals is discussed with regard to job performance, consumer pressures, and industry competition. Concepts taught include:

- Definitions of Ethics
- Personal Values and Ethical Decision-Making
- Self-Exploration of Ethical Compromise
- NAMB Code of Ethics
- Difference Between Law and Ethics
- Decision-Making in Business Transactions
- Ethics of Disclosure throughout Loan Origination
- Solving Ethical Problems Related to Loan Transaction Decisions
- Industry Teamwork and Ethics in Decision-Making

Mortgage Broker Business Ethics incorporates public complaints filed with state regulators as case studies for group discussion. Within small groups, participants are instructed to reach consensus on each case study presented. Group consensus must be reached determining whether the resulting decision was: ethical, unethical, or debatable. The goal is to promote decisions that support standards of good business practice while ultimately leading to the development of positive public image and respect of the mortgage brokerage profession.

This course is 4 hours.

B. Successfully Pass the NAMB General Mortgage Associate (GMA[®]) Exam prior to receiving Originator License: (candidates must answer at least 68% of the exam questions correctly). The GMA[®] is a **three (3) hour** computer based exam and contains **125 multiple-choice questions** that fall within **seven subject-matter areas**. Each subject-matter area is weighted to reflect its relative importance to the practice of a mortgage broker who has newly entered the mortgage industry. A detailed outline of the subject-matter areas can be found in the **Exam Specifications Outline**. (See attached GMA[®] Exam outline)

Subject-Matter Area	% of Exam Content	# of Items	Sub-Categories
General Industry Knowledge	27	30	Origin of the mortgage industry; markets; government agencies; financial markets; different types of mortgages; appraisals; environmental liability; providing tax related and/or financial advice; knowledge of credit scores, credit reports, and their effect on a loan
Business Practices and Ethics	17	20	Professionalism; business ethics and integrity; handling customer funds; customer/broker relationship; advertising business-to-business and business-to-consumer; contents to a wholesale agreement; fraud
Insurance	6	11	Hazard, Mortgage, Title, and Builders' insurance
Laws and Compliance	16	24	Mortgage and regulatory compliance; real estate law
Residential Financing	19	24	Pre-qualifying and initial application; processing and underwriting; closing/escrow
Mortgage Technology	5	6	Loan origination; automated underwriting system; web-based services
Marketing and Sales	10	10	Types of marketing; identify market demands; personal business plan



C. All renewing Brokers must successfully complete the GMA[®] Exam prior to submitting their 2010 Renewal Application. All currently registered Originators must complete the GMA[®] Exam prior to their 2009 Registration expiring. Beginning in 2010 all Brokers and Originators will have successfully completed the GMA[®] Exam and undergone a Federal Criminal Background Check before working in our industry.

D. No current brokers or originators will be “grandfathered” or excluded from this requirement except those who have earned their NAMB Professional Designations of General Mortgage Associate (GMA[®]), Certified Residential Mortgage Specialist (CRMS[®]) or Certified Mortgage Consultant (CMC[®]). The requirements for earning and maintaining such NAMB Professional Designations are higher than the requirements outlined above. (See http://www.namb.org/namb/Certification_Home.asp?SnID=1826894037) Those brokers or originators holding such NAMB Designations need only provide documentation of such designation being current at the time of renewal or licensing.

E. Federal Criminal Background Check completed on each applicant prior to permission being granted for sitting for required GMA Exam. Those with felony convictions related to violence and financial impropriety should be excluded from ALL positions in our industry.

2. Renewal Continuing Education Requirements for all Brokers and Originators:

A. All renewing Brokers and Originators must successfully complete eight (8) hours of live classroom instruction annually (prior to submitting their 2010 Broker License Renewal or their 2010 Mortgage Originator License Application) on mortgage related topics from a list of approved courses provided by NAMB or approved vendors. An additional two (2) hours of live classroom Ethics Training will be required every year. This training will be provided by NAMB instructors, state compliance examiners or other approved vendor. Any licensed broker or originator who fails to complete this annual requirement will be prohibited from working in our industry beginning in 2010 and penalized if found to be working without having met this requirement. Brokers and originators must provide authentic documentation showing the completion of this requirement each year when applying for renewal of license.

B. No current brokers or originators will be “grandfathered” or excluded from this requirement except those who currently have earned their NAMB Professional Designations of Certified Residential Mortgage Specialist (CRMS[®]) or Certified Mortgage Consultant (CMC[®]). The requirements for earning and maintaining such NAMB Professional Designations are higher than the requirements outlined above. Those brokers or originators holding such NAMB Designations need only provide documentation of such designation being current at the time of renewal.



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3. Approval of Continuing Education Courses:

A. All NAMB Courses offered as live classroom instruction will be accepted as approved continuing education hours.

B. All other continuing education vendors offering live classroom instruction in Tennessee will be subject to approval by a Course Approval Committee made up of TNDFI and TNAMB reviewers.

C. No online courses will be allowed to be counted toward the initial Pre-licensure or Renewal Continuing Education requirements.