

## **Loan Originator Rule- effective 1/10/14**

- 1) NMLSR ID Number on Application, Note and Deed of Trust/Mortgage
  - i. Beginning with residential mortgage loan applications received on or after January 10, 2014, both the lender's and loan originator's name and Nationwide Mortgage Licensing System & Registry Identification Number (NMLSR ID) must be included on the credit application, note and the security instrument (mortgage/deed of trust).
  - ii. A "Loan Originator" under CFPB regulations is both the lender and the individual loan officer who takes the residential mortgage loan application or offers, arranges or assists the consumer in obtaining the residential mortgage loan.
  
- 2) Compliance with SAFE Act Registration, Criminal Background Check, Credit Report, Verification of Loan Officer's Financial Responsibility
  - i. A Credit Union's residential mortgage loan originators must be registered under the SAFE ACT.  
[www.mortgage.nationwidelicencingsystem.org](http://www.mortgage.nationwidelicencingsystem.org)

- ii. For each of their loan originators, the lender must obtain for new loan originators (and older loan originators who have not provided the following items):
  - criminal background check through the Nationwide Mortgage Licensing System and Registry (NMLSR);
  - a credit report from a consumer reporting agency;
  - information from NMLSR about any administrative, civil, or criminal findings by any government jurisdiction regarding that individual;
  - Verify that none of the lender's loan originators have been convicted of crimes involving fraud, dishonesty, breach of trust or money laundering.
  - Verify that the lender's loan originators have demonstrated financial responsibility, character and general fitness.

### 3) Training

Provide periodic training covering Federal and State law requirements that apply to the loan originator's job.

### 4) Written Policies and Procedures

Establish and maintain written policies designed to comply with the CFPB's new regulation regarding Loan Originators.

### 5) Compensation

- i. A residential mortgage loan originator may not receive (and no person may pay) compensation based on any term of the transaction (such as the interest rate, collateral type, prepayment penalty, origination points or fees).

- ii. Loan originators may be compensated based on a set percentage of the loan amount.
- iii. In addition to compensation based on a set percentage of the loan amount, there are 7 other “safe harbors” for compensation that may be paid to a loan originator based on the following:
  - the loan originator’s overall dollar volume (total dollar amount of closed loans or total number of transactions originated), delivered to the creditor;
  - the long-term performance of the originator’s loans;
  - an hourly pay rate based on the actual number of hours worked;
  - loans made to new customers versus loans to existing customers;
  - a payment that is fixed in advance for every loan the originator arranges for the creditor (for example, \$600 for every credit transaction arranged for the creditor, or \$1,000 for the first 1,000 credit transactions arranged and \$500 for each additional credit transaction arranged);
  - the percentage of the loan originator’s applications that close;
  - The quality of the loan originator’s loan files (for example, accuracy and completeness of the loan documentation) submitted to the creditor.