

THE COMPLIANCE CONNECTION

REGULATORY NEWS FOR VIRGINIA MORTGAGE COMPANIES
STATE CORPORATION COMMISSION - BUREAU OF FINANCIAL INSTITUTIONS

2013 VOLUME II



The Compliance Connection is part of the Bureau's efforts to improve communication with the companies we regulate. It is distributed to Virginia mortgage and industrial loan association licensees, and other interested parties. It is the licensee's responsibility to read this newsletter and to be familiar with the positions and interpretations stated herein.

Suggestions and comments concerning the newsletter or its contents should be addressed to the Bureau at P.O. Box 640, Richmond, VA 23218-0640 or via email at bfquestions@sc.virginia.gov.

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MLO Regulations Finalized

On September 5, 2013, the State Corporation Commission entered an order in case #BFI-2013-00067 adopting, effective September 15, 2013, proposed amendments to 10 VAC 5-161 of the Virginia Administrative Code which pertain to Mortgage Loan Originators.

Among other things, the amendments approved by the Commission, (i) set forth the procedures and criteria for designating bona fide nonprofit organizations under § 6.2-1701.1 of the Code of Virginia; (ii) define the terms "employee" and "exclusive agent"; (iii) clarify the licensing requirements for individuals whose wages or other compensation are paid by either professional employer organizations or organizations that provide staffing services.

The revised Regulation may be viewed at: <http://leg1.state.va.us/000/reg/TOC10005.HTM#C0161>.

MLO Renewals – Deadline Approaching

It's never too early to begin thinking about MLO renewal requirements. Section 6.2-1710 of the Code of Virginia requires individual mortgage loan originators (MLOs) to complete eight (8) hours of Nationwide Mortgage Licensing System (NMLS) approved continuing education (CE). The 8 hours of CE must include 3 hours in federal law, 2 hours of ethics training (to include fraud, consumer protection and fair lending), 2 hours of non-traditional mortgage lending, and 1 hour of an elective.

Keep in mind the following:

- Do not complete the same CE course as last year
- Do not take pre-licensure education (PE) courses. PE courses do not count toward CE
- In Virginia, you will be prevented from applying for renewal if you have not completed CE
- CE courses are reviewed and approved by the Registry, based upon reasonable standards

Information concerning CE compliance should be completed by Friday, December 20th to avoid delays in meeting the renewal deadline of December 31, 2013. CE information reported after Friday, December 27th will be at risk for missing the December 31st renewal deadline, and MLOs will be guaranteed to miss renewal if CE is reported on December 31, 2013.

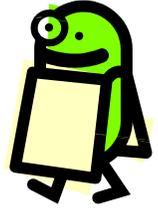
Notices will be sent through the NMLS to each MLO between now and mid-December with reminders about the impending deadlines. Plan ahead and beat the rush!



Advertising Violations Cited

Changes to the Virginia Regulation relating to advertising requirements were made and became effective on January 28, 2013. Despite sending mortgage company licensees a copy of the revised regulation and including information about these changes in the previous issue of this newsletter, many mortgage companies continue to advertise under the “old” rules.

Examiners are citing licensees for failing to include the required disclosures in advertisements. These violations can lead to regulatory action including, but not limited to, civil penalties of up to \$2,500 for EACH violation. Go to <http://leg1.state.va.us/cgi-bin/legp504.exe?000+reg+10VAC5-160-60> to view the current advertising regulations and ensure compliance.



NMLS Deficiencies Set for Non-Payment of Annual Assessments

Mortgage licensees received their annual assessments through the NMLS for the first time this past April. Companies who failed to pay the assessment by May 25, 2013 have a deficiency on their NMLS record and risk revocation of their license. Once the company pays the assessment through the NMLS the deficiency is removed.



Companies licensed as mortgage lenders and mortgage brokers received two separate bills – one for the mortgage lender assessment and another for the mortgage broker assessment (In the past, the Bureau sent one invoice that included both authorities.). If you have dual authority (as a mortgage lender and broker) please make sure that you paid both assessments.

Mortgage companies that have not paid their entire assessment will soon receive a final notice of non-payment, which if not paid by the deadline given in the notice, will lead to a recommendation to the Commission to revoke the company’s license issued by the Commission, pursuant to § 6.2-1619 of the Code of Virginia.

Annual fees are collected to defray the costs of examination, supervision and regulation of mortgage lenders and mortgage brokers by the Bureau of Financial Institutions. The Commission’s mortgage company schedule for annual fees may be found at: <http://leg1.state.va.us/cgi-bin/legp504.exe?000+reg+10VAC5-160-40>.

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Employment Verification Forms No Longer Required for Most MLO Applicants

Regulation 10 VAC 5-160-90E, as amended, requires mortgage lender/broker licensees to update their sponsorship information in NMLS within 5 days after a MLO becomes a bona fide employee or exclusive agent of the licensee. Due to this amendment, Employment Verification Forms (CCB-8815) are no longer required to be submitted to the Bureau by mortgage lender/broker licensees on behalf of their mortgage loan originator applicants. The primary exception to this requirement is for employees or exclusive agents of exempt mortgage companies which have not registered with the NMLS.



License Update

The following is a list of companies and individuals that have had their license revoked, had an application denied, or paid a fine or civil penalty since April 15, 2013. This list should be helpful to keep track of companies with which you do business. These lists are accurate as of August 15, 2013. Call the Bureau if you have a question concerning a recent denial or regulatory action taken by the Commission.

Persons Barred from Employment, Management, or Control (pursuant to § 6.2-1620 of the Code of Virginia)

See details below under Judgment Orders

Mortgage Company License Revocations:

See details below under Judgment Orders

Settlement Orders

- MC – 5542 First Liberty Financial Group, LLC d/b/a First Liberty Financial Mortgage – order entered June 6, 2013. Paid \$500 for allegedly failing to timely file its annual report, in violation of § 6.2-1610 of the Code of Virginia.
- MC – 5355 EC Financial, LLC – order entered June 26, 2013. Paid \$500 for allegedly failing to timely file its annual report, in violation of § 6.2-1610 of the Code of Virginia.
- MC – 4985 Jet Direct Funding, Corp. – order entered July 3, 2013. Paid \$500 for allegedly failing to timely file its annual report, in violation of § 6.2-1610 of the Code of Virginia.
- MC – 3585 Corporate Investors Mortgage Group, Inc. – order entered July 3, 2013. Paid \$500 for allegedly failing to timely file its annual report, in violation of § 6.2-1610 of the Code of Virginia.
- MC – 80 Mortgage One, Inc. – order entered July 16, 2013. Paid \$500 for allegedly failing to timely file its annual report, in violation of § 6.2-1610 of the Code of Virginia.

Judgment Order

MC – 1586 Mortgage America Bankers LLC – order entered July 19, 2013.

- Ordered to pay \$105,000 for various violations of Chapters 4 and 16 of Title 6.2 of the Code of Virginia and the Commission's Rules.
- Revoked Mortgage America Bankers LLC license.
- Ordered to cease and desist from any violation of Chapters 4 and 16 of Title 6.2 of the Code and the Commission's Rules.

MLO – 7613 Kaptain Koontz – order entered July 19, 2013.

- Ordered to pay \$75,000 for various violations of Chapter 17 of Title 6.2 of the Code of Virginia.
- Barred from any position of employment, management, or control of any licensed mortgage lender or broker in Virginia, pursuant to § 6.2-1620 of the Code of Virginia.
- Ordered to cease and desist from any violation of Chapter 17 of Title 6.2 of the Code of Virginia and the Commission's Rules.

Tips for Improving Compliance

- Mortgage companies are reminded that violations will be cited for not maintaining current and up-to-date information in NMLS. This includes, but is not limited to, the filing of the Mortgage Call Report (MCR), sponsorship requests and removals, company name changes, address changes and officer changes. Company acquisitions must be pre-approved by the Bureau via application filed outside of the NMLS. Licensed mortgage companies must also make sure their MLOs keep their information (address, telephone number, personal e-mail address, employment information, etc.) updated in NMLS.
- Open all mail from the State Corporation Commission! Although a lot of correspondence from the Bureau of Financial Institutions is now sent through the NMLS, the Bureau does still use the mail to send examination reports and other important notices. The SCC's Clerk's Office also sends notices concerning business entity registration fees, renewals, annual reports and other issues through the U.S. mail. We often receive phone calls from licensees with questions about things they might already know about if they only read the mail sent by the SCC!
- Owners of Virginia licensed mortgage companies who take applications for, or offer or negotiate the terms of, a residential mortgage loan for a dwelling located in Virginia must be licensed as a mortgage loan originator (MLO) and sponsored by the company in order to be authorized to originate loans in Virginia.



COMMISSION TELEPHONE NUMBERS



Consumer Finance and Mortgage Examinations(804) 371-9701
 Licensing (applications, name changes, relocations).....(804) 371-9690
 Mortgage Loan Originator Questions.....(804) 371-0484
 Consumer Complaints.....(804) 371-9657
 Banks and Savings Institutions.....(804) 371-9704
 Corporate Information - Clerk's Office.....(804) 371-9733
 FAX Number for the Bureau of Financial Institutions.....(804) 371-9416



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