

# Bill Summary

**COMMITTEE:** Banking and Insurance

**DATE:** 5/30/13

**PRIME SPONSOR:** Scavello

**BILL NO:** HB1124

**PREPARED BY:** Allison Dutrey

**PRINTER'S NO:** 1596

## **A. Synopsis:**

HB1124 updates the Mortgage Licensing Act (Act 31 of 2009) to make it compliant with new federal Housing and Urban Development (HUD) regulations.

## **A. Summary:**

HB 1124 amends Title 7 Chapter 61, Mortgage Loan Industry Licensing and Consumer Protection, to make it consistent with the recently adopted federal HUD regulations. Also, the bill will improve and clarify provisions of the original bill which was in response to the requirements in the 2008 federal Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act).

HB1124 will restore a person's ability to originate, offer, negotiate, or service three or less mortgage loans annually without being licensed as a mortgage originator as long as they're not routinely engaged in the business of providing mortgage loans. The bill also clarifies that a seller of a dwelling or real estate via an installment sales contract is required to be licensed as a mortgage lender and have its employees licensed as mortgage loan originators.

Non-profit organizations and government agencies are exempt from mortgage loan originator licensing requirements when the originator is acting within the scope of their employment, as the PA Department of Banking and Securities will have oversight per federal regulations. Additionally, the bill will eliminate the requirement that mortgage loan originators be W-2 employees of the mortgage lender or broker, but still require direct supervision and control of these employees by the lender or broker.

HB1124 clarifies the required minimum net worth for a mortgage lender is \$250,000, removing the requirement that smaller licensed lenders meet higher net worth criteria. Also, it will ease the licensing requirements for branch offices to permit more business to occur outside the mortgage lender and broker offices.

It also clarifies that lease purchase agreements and mortgage loan modification are considered mortgage loans, therefore falling under licensing and enforcement provisions of the act. The bill exempts continuing education requirements for individuals within their first year of completing pre-licensing education.

Effective 60 days.