

CONTENT

1. FEDERAL MORTGAGE RELATED LAWS (24%)

Real Estate Settlement Procedures Act (RESPA), 12 CFR Part 1024 (Regulation X)

- RESPA origins and purpose; definition of “mortgage broker”
- Applicable loan types
- RESPA prohibitions, limitations, & exemptions
- Settlement services
- Required borrower information on application (Regulation X)
- Foreclosure process
- Initial escrow statements

Equal Credit Opportunity Act (ECOA), 12 CFR Part 1002 (Regulation B)

- ECOA permissible acts
- Factors that cannot be used to discriminate
- Circumstances where loan can be denied
- Regulation B
- Notifying borrower of action taken (timing)
- Required disclosures when application denied
- Adverse action: definition/examples/notifications/timing
- Information required on application; definition of "elderly"
- Mortgage loan originator (MLO) actions when borrower refuses to provide race/gender information
- Co-signer requirements
- Acceptable income for loan review
- Creditworthiness factors

Truth in Lending Act (TILA), 12 CFR Part 1026 (Regulation Z)

- Purpose of TILA
- Loans covered under TILA
- Definitions including APR, finance charge, dwelling, residential mortgage loan
- "Notice of right to rescind"; refinance rescind scenarios; defining "seller contributions"
- Home Ownership and Equity Protection Act (HOEPA), high-cost mortgages (12 CFR 1026.32)
- Higher-priced mortgage loans (12 CFR 1026.35)
- MLO compensation (12 CFR 1026.36(d))

TILA-RESPA Integrated Disclosure Rule (TRID) (“Know Before You Owe”)

- Purpose of TRID

Loans covered under TRID
Loan estimates: facts, required information, charges/fees
Definition of “loan consummation”
Special information booklet
Closing Disclosure
Disclosures timing
MLO actions if TRID disclosure is incomplete
"Change of circumstances"
Information that must be provided to consumer upon request
Borrower's right to rescission
Annual escrow statement

Other Federal Laws and Guidelines

Home Mortgage Disclosure Act (HMDA), 12 CFR Part 1003 (Regulation C)
Fair Credit Reporting Act (FCRA)/Fair and Accurate Credit Transactions Act (FACTA) 15 USC § 1681 et seq.
Federal Trade Commission Red Flag rules, 16 CFR Part 681
Bank Secrecy Act/Anti-money Laundering (BSA/AML)
Gramm-Leach-Bliley Act (GLBA) – Privacy, Federal Trade Commission
Safeguard Rules and Do-Not-Call
Mortgage Acts and Practices – Advertising, 12 CFR Part 1014 (Regulation N)
Electronic Signatures in Global and National Commerce Act (E-Sign Act)
USA PATRIOT Act
Homeowners’ Protection Act (Private Mortgage Insurance (PMI) Cancellation Act)
Dodd-Frank Act

Regulatory Authority

Consumer Financial Protection Bureau (CFPB)
Department of Housing and Urban Development (HUD)

2. UNIFORM STATE CONTENT (11%)

SAFE Act and CSBS/AARMR Model State Law

SAFE Act:

General purpose and scope
Documents to be filed for public record

State Mortgage Regulatory Agencies:

Regulatory powers and responsibilities
NMLS Registry and relationship with state regulators
Frequency of exams
MLO unique identifiers

CFPB authority and CFPB Loan Originator rule (dual compensation)

License Law and Regulation:

People required to be licensed

MLO-licensed services

Allowable activities by underwriters, clerical staff and loan processors

Entities requiring licensed MLO

Businesses not required to be licensed (depository institutions)

Licensee qualifications & application process:

Pre-license education

Background checks

Other requirements

Felony charges

Waiting period for test retakes

Sponsorship requirement

Definition of "MLO"

Grounds for denying a license

License maintenance:

Renewal period

Continuing Education requirements

Maintaining active license

Retaking 80-3 test if inactive

NMLS requirements:

Change of employment notifications

Required submissions/disclosures

NMLS identifier requirements

Temporary Authority to Originate – Economic Growth, Regulatory Relief, and Consumer Protection Act

Compliance:

State regulator's authority to examine a licensee's books and records and interview employees

Prohibited acts:

Paying for real estate agent ads

Using supervisor's NMLS unique identifier

Omitting debt not on credit report

"Bait-and-switch"

Required conduct:

Providing documents in complaint investigations

Record retention

Providing records to state regulators

Assumable loans

Permissible acts

Penalties for failure to conduct certain duties

General loan origination scenarios

Advertising:

Requirement to include NMLS unique identifier in advertisements

3. GENERAL MORTGAGE KNOWLEDGE (20%)

Qualified and Non-qualified Mortgage Programs

Qualified mortgages

Conventional/conforming

Includes Fannie Mae and Freddie Mac

Government

Includes FHA, VA, USDA

Conventional/nonconforming

Jumbo, Alt-A

Subprime mortgage

Guidance on nontraditional mortgage product risk

Non-qualified mortgage

Mortgage Loan Products

Fixed-rate mortgages

Adjustable-rate mortgages (ARMs)

Purchase money second mortgages

Balloon mortgages

Reverse mortgages

Home equity line of credit (HELOC)

Construction mortgages

Interest-only mortgages

Terms Used in the Mortgage Industry

Loan terms: subordinate loans, escrow accounts, lien, tolerances, rate lock agreement, table funding

Disclosure terms: yield spread premiums, federal mortgage loans, servicing transfers, lender credits

Financial terms: discount points, 2-1 buy-down, loan-to-value (LTV) ratio, accrued interest, finance charges, daily simple interest

General terms: subordination, conveyance, primary/secondary market, third-party providers, assumable loan, APR

4. MORTGAGE LOAN ORIGINATION ACTIVITIES (27%)

Loan Inquiry and Application Process Requirements

Loan inquiry process – includes required disclosures

Borrower application:

Accepting applications

- Offering/negotiating terms
- Managing information
- Permissible questions
- Gift donors
- Verification:
 - Authorization forms
 - Percentage of bank account assets attributable toward a loan application
 - Verifying employment
- Suitability of products & programs – reflecting the type of loan on a mortgage application
- Accuracy (tolerances):
 - Violation scenarios
 - Zero tolerance service charges
 - 10% tolerance service charges
- Disclosure timing:
 - "Know Before You Owe"
 - Notification of action taken
 - Early disclosures
 - Affiliated business arrangements
- Loan estimate timing:
 - Initial Loan Estimate
 - Revised Loan Estimate
 - Expiration of Loan Estimate settlement charges
 - Tolerance corrections
- Closing Disclosure
 - Homeownership Counseling Disclosure

Qualification: Processing & Underwriting

- Borrower Analysis:
 - Assets
 - Liabilities
 - Income
 - Credit report
 - Qualifying ratios (LTV, debt-to-income)
 - Ability to repay
- Appraisals:
 - Purpose/definitions
 - Approaches (market, income, cost)
 - Timing
 - Independent appraisal requirement
- Title Report:
 - Obtaining title reports
 - Timing of title reports and commitments
 - Preliminary title reports
- Insurance:

- Flood insurance
- PMI
- Hazard/homeowner insurance
- Government mortgage insurance

Closing

- Title and title insurance
- Settlement/Closing Agent:
 - Eligible signatures on security instrument
 - Power of attorney
- Explanation of fees – HUD-1, title insurance, pre-pays, escrow expenses, loan origination fees
- Required closing documents
- Funding – rescission periods

Financial Calculations

- Periodic interest
- Monthly payments
- Down payments
- Closing costs/prepays
- ARM adjustments – interest rates and payments

5. Ethics (18%)

Ethical Issues

- Prohibited acts:
 - Redlining
 - RESPA prohibitions
 - Kickbacks/compensation
 - Permitted/prohibited duties
- Fairness in lending:
 - Referral (Definition/required disclosures)
 - Coercion
 - Appraiser conflict of interest
 - Discrimination/fairness
- Fraud detection:
 - Asset/income/employment fraud
 - Sales contract/application red flags
 - Occupancy fraud
 - General red flags
- Suspicious bank and other activity; information not provided to borrower; verifying application information
- Advertising:

Misleading information
Due diligence review
"Unfair, deceptive, or abusive acts"
Federal regulation
Predatory lending and steering

Ethical behavior related to loan origination activities

Financial responsibility:
Permitted fees/compensation; fee changes; closing cost scenarios; referral fees;
fee splitting
Handling borrower complaints
Mortgage company compliance:
Discovery of material information; information supplied by employers
Relationships with consumers:
Handling personal information/cybersecurity; disclosing conflicts of interest;
requesting credit reports
Changes in down payments or offered interest rates; powers of attorney; non-
resident co-borrowers
Unreported/fluctuating income; gifts/unexplained deposits; appraiser
interactions; multiple applications
Truth in marketing and advertising – permissible statements in advertising
General business ethics:
Falsified information by borrower or MLO
Giving solicited/unsolicited advice
Outside parties seeking information

6. Mortgage Broker Practices Act

Trust Accounting

Compliance (enforcement)

Disclosure Requirements

Loan Estimate
Closing Disclosure
Consumer booklets
1003
Washington rate lock disclosure
Disclosure statement
General disclosure requirements

Supervisory role of designated mortgage broker

7. Related WA laws and rules

Washington Consumer Loan Act

Usury Act

Consumer Protection Act

Escrow Agent Registration Act

8. WA Current Issues

TOPIC AREA I: FORMS AND LOAN PROGRAMS

Upon completion of this unit, the learner will know and be able to:

Educational Objective 1: Forms and Loan Programs

Identify and discuss the forms that are currently causing issues for agents in the field, emphasizing purpose, standards of practice, and pitfalls, as well as specific loan program updates affecting the industry.

Specifically, the learner will know and be able to effectively utilize the following forms in a residential real estate transaction where appropriate:

- **Escalation Clause (15 Min)**
 - Benefits and pitfalls: Students will learn when it is appropriate to use an escalation addendum and when it may not be appropriate to use, and how to identify when the benefits outweigh the disadvantages in a transaction and how to use this tool correctly.
- **Evidence of Funds (5 Min)**
 - Students will gain competency in using evidence of funds on all transactions (unless buyer is required to provide no cash for closing).
- **Sales Involving Contingent Buyers (Understanding the complexity of buyer's selling current house to purchase sellers property) (20 Min)**
 - Contingency on selling and closing the buyer's property is the most complicated process. Provide a basic explanation on how these processes work together and their overall effectiveness in the transaction.
 - The learning could include:
 - How to use
 - Risks associated with buyer waiver
 - Risk to the seller if buyer's earnest money is low
 - Inconvenience to the seller waiting for the sale to close

- Uncertainty of closing
- Explanation of the importance of the seller seeing the pending purchase and sale agreement for the buyer's pending sale contingency transaction.
- **Inspection Clause (20 Min)**
 - Students will receive information regarding the overall function of the inspection addenda
- **Inspection Response (10 Min)**
 - Students will receive information regarding the mandatory notice process.
 - Students will be given effective methods for drafting the inspection response request for seller concessions.
- **Terms of closing and possession (10 Min)**
 - Students will review information relating to timeframes for closing and possession.
- **The learner will also know what updates the Veteran's Administration has adopted with regard to the VA loan program with regard to: (15 Min)**
 - VA closing costs
 - a. What closing costs the veteran borrower can and cannot pay
- **VA Loan limit – specific to the broker's area**
 - Explain that loan limits are established by area and provide resources to students so as the students may verify the information.

TOPIC AREA II: LEGISLATIVE UPDATE

Upon completion of this unit, the learner will know and be able to:

Educational Objective 1: Common Concepts

Identify and describe Identify and describe common concepts relating to Washington State residential real estate legislative issues.

Specifically, the learner will know and be able to identify and describe:

- **Real Estate Excise Tax Legislation (ESSB 5998)**
 - Change in excise tax from a flat fee to a graduated rate structure
 - What types of properties are exempt from this rate structure
 - Change in time period concerning controlling interest transfer or acquisition

- **Business and Occupation Tax Rates**
 - Services industries affected by new legislation

- **Clarification on Protected Classes**
 - Review the Federal Protected Classes (<https://www.eeoc.gov/>)
 - Review the additional Washington State Protected Classes (<https://www.hum.wa.gov/fair-housing>)

- **Landlord Tenant Law Update (2019-2020 Legislative Session)**
 - Update on HB 1440, timely notice for rent increases
 - Update on SB 5600, timely notice for economic evictions (rent payment)
 - Update on HB 1462, timely notice for building demolition, major rehabilitation or change in building's use.

TOPIC AREA III: BUSINESS PRACTICES UPDATE AND PROFESSIONAL STANDARDS

Educational Objective 1: Understanding the basis of professional Cooperation with fellow licensees as well as the public.

Specifically, the learner will know and be able to identify and describe:

- Professional cooperation with fellow licensees as well as the public.

- Managing Broker responsibilities with regard to actually managing a firm or branch office or as a teamleader.

- Timely presentation of all written offers (RCW 18.86.030(1)(c))
 - What is meant by the requirement to present all written offers, written notices and other written communications?
 - Definition of “a timely manner”

- Multiple Offer Scenarios
 - Evaluating offers based on a buyer's ability to close on terms acceptable to seller.
 - Avoiding evaluating offers based on discriminatory information or protected classes.
 - Seller and Buyer options when facing multiple offer situations.
 - Time is of the essence when presenting offers
 - Best practices in multiple offer situations

11. Final Exam