



State of North Carolina
OFFICE OF THE COMMISSIONER OF BANKS

PAT MCCRORY
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COMMISSIONER OF BANKS

MEMORANDUM

TO: Bank-Employers of North Carolina-licensed MLOs
North Carolina State Chartered Banks
CC: Rose Heston Conner, Administrator, NC Credit Union Division
FROM: Rowe Campbell
Chief Deputy Commissioner of Banks
DATE: December 8, 2015
RE: Federally Registered Mortgage Loan Originators Cannot be Licensed by NCCOB

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On December 2 and 3, 2015, the North Carolina Office of the Commissioner of Banks ("NCCOB") issued two memoranda explaining that federally registered mortgage loan originators ("MLOs") would no longer be licensed by NCCOB under the NC Secure and Fair Enforcement Mortgage Licensing Act (the "NC SAFE Act"), N.C. Gen. Stat. § 53-244.010, et seq. These memoranda indicated that some federally registered MLOs were unnecessarily licensed and that these MLOs: 1) should request cancellation of their NC SAFE Act license and 2) should not seek renewal of that license for 2016. NCCOB also indicated that any 2016 renewal fees already received would be refunded to the federally registered MLO.

I am writing to you today to alert you that you may employ some federally registered MLOs that are affected by this decision and to explain the basis for NCCOB's decision. Please note that the December 2nd and 3rd memoranda do not change the requirement for federal registration and your federally registered MLOs will retain their current NMLS numbers.

Depository institutions and credit unions, though engaged in the mortgage business, are exempt from NC SAFE Act licensure and NC SAFE Act examinations. N.C. Gen. Stat. §§ 53-244.030(8) and 53-244.040(d)(5) and (7). Bank and credit union employees (i.e. federally registered MLOs) are also exempt from these requirements of the NC SAFE Act. N.C. Gen. Stat. § 53-244.040(d)(1).

Despite these exemptions, NCCOB discovered that a number of federally registered MLOs held licenses under the NC SAFE Act which they had never used for authority to originate mortgage loans. In essence, NCCOB discovered that these dually registered-licensed loan originators were holding a NC SAFE Act license out of an abundance of caution, to permit them to freely transition from employment with a depository institution to a non-depository state-licensed lender or broker.

In 2013, the General Assembly resolved that issue by passing Session Law 2013-327, which authorized a **transitional mortgage loan originator license**. This license type allows federally registered MLOs to transition to state-licensed employment, without a lapse in authority to engage in the mortgage business. The transitional license is valid for 120 days while the MLO completes any remaining pre-licensing education requirements. This transitional license eliminated the practical need for federally registered MLOs in North Carolina to maintain a NC SAFE Act license that had never been used.

After careful consideration, NCCOB determined that it should no longer offer NC SAFE Act licensure to registered MLOs because of 1) the availability of the transitional mortgage loan originator license, 2) the cost to licensees of maintaining an unused license, and 3) the potential for consumer confusion regarding NCCOB's ability to regulate and examine federally registered MLOs.

Notwithstanding this change in licensing, NCCOB encourages all participants in the mortgage industry, including federally registered MLOs, to continue their educational efforts to ensure a safe and fair mortgage industry. We appreciate your cooperation as we work through this notification process.

Please feel free to contact me with any questions at 919-733-3016.

Thank you.