

AN ACT concerning regulation.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The Residential Mortgage License Act of 1987 is amended by changing Sections 1-2, 1-3, 1-4, 2-2, 2-3, 2-4, 2-6, 3-1, 3-2, 3-4, 4-1, 4-2, 4-5, 4-8.3, 7-1, and the heading of Article VII and by adding Sections 4-7, 4-8.1A, 4-9.1, 7-1A, 7-2, 7-3, 7-4, 7-5, 7-6, 7-7, 7-8, 7-9, 7-10, 7-11, 7-12, 7-13, and 7-14 as follows:

(205 ILCS 635/1-2) (from Ch. 17, par. 2321-2)

Sec. 1-2. Purpose of Act and Policy Statement.

(a) The origination, funding, purchasing and brokering of residential mortgage loans and the type of entities involved in residential mortgage lending have undergone significant changes in recent years, due in part to developments in the general economy, specifically interest rate volatility, the sophistication of the national secondary market for mortgage loans and the market for mortgage backed securities. The recent trend toward deregulation in the financial services industry has accelerated the evolution of residential mortgage lending, dramatically increasing the types of mortgage loans offered and the manner in which they are advertised and marketed to consumers. Depository institutions, traditionally the major

source of residential mortgage financing for individuals, now compete for capital and customers with mortgage bankers and other financial service organizations. Residential mortgage lenders of every type have increasingly relied on nonfinancial intermediaries, such as mortgage brokers, to find customers. These developments have raised questions as to whether all entities engaging in this banking function operate under appropriate regulatory scrutiny and as to whether all residential mortgage lenders are conducting their business in the best interests of Illinois homeowners and potential homeowners.

(b) The activities of lenders and their offering of financing for residential real property have a direct and immediate impact upon the housing industry, the neighborhoods and communities of this State, its homeowners and potential homeowners. The General Assembly finds that it is essential for the protection of the citizens of this State and the stability of the State's economy that reasonable standards governing the business practices of residential mortgage lenders and their agents be imposed. The General Assembly further finds that the obligations of lenders and their agents to consumers in connection with making, soliciting, processing, placing or negotiating of residential mortgage loans are such as to warrant the uniform regulation of the residential mortgage lending process, including the application, solicitation, making and servicing of residential mortgage loans. The purpose

of this Act is to protect Illinois consumers seeking residential mortgage loans and to ensure that the residential mortgage lending industry is operating fairly, honestly and efficiently, free from deceptive and anti-competitive practices. The purpose of this Act is to regulate residential mortgage lending to benefit our citizens by ensuring availability of residential mortgage funding, to benefit responsible providers of residential mortgage loans and services, and to avoid requirements inconsistent with legitimate and responsible business practices in the residential mortgage lending industry.

(c) The General Assembly finds that the provisions of this amendatory Act of the 96th General Assembly that set forth the authority and framework for State participation in a Nationwide Mortgage Licensing System and Registry are consistent with the purposes of this Section and for the purpose of complying with the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008.

(Source: P.A. 85-735.)

(205 ILCS 635/1-3) (from Ch. 17, par. 2321-3)

Sec. 1-3. Necessity for License; Scope of Act.

(a) No person, partnership, association, corporation or other entity shall engage in the business of brokering, funding, originating, servicing or purchasing of residential mortgage loans without first obtaining a license from the

Commissioner in accordance with the licensing procedure provided in this Article I and such regulations as may be promulgated by the Commissioner. The licensing provisions of this Section shall not apply to any entity engaged solely in commercial mortgage lending or to any person, partnership association, corporation or other entity exempted pursuant to Section 1-4, subsection (d), of this Act or in accordance with regulations promulgated by the Commissioner hereunder. No provision of this Act shall apply to an exempt person or entity as defined in items (1) and (1.5) of subsection (d) of Section 1-4 of this Act.

(b) No person, partnership, association, corporation, or other entity except a licensee under this Act or an entity exempt from licensing pursuant to Section 1-4, subsection (d), of this Act shall do any business under any name or title, or circulate or use any advertising or make any representation or give any information to any person, which indicates or reasonably implies activity within the scope of this Act.

(c) The Commissioner may, through the Attorney General, request the circuit court of either Cook or Sangamon County to issue an injunction to restrain any person from violating or continuing to violate any of the foregoing provisions of this Section.

(d) When the Commissioner has reasonable cause to believe that any entity which has not submitted an application for licensure is conducting any of the activities described in

subsection (a) hereof, the Commissioner shall have the power to examine all books and records of the entity and any additional documentation necessary in order to determine whether such entity should become licensed under this Act.

(d-1) The Commissioner may issue orders against any person if the Commissioner has reasonable cause to believe that an unsafe, unsound, or unlawful practice has occurred, is occurring, or is about to occur, if any person has violated, is violating, or is about to violate any law, rule, or written agreement with the Commissioner, or for the purposes of administering the provisions of this Act and any rule adopted in accordance with this Act.

(e) Any person, partnership, association, corporation or other entity who violates any provision of this Section commits a business offense and shall be fined an amount not to exceed \$25,000.

(f) Each person, partnership, association, corporation or other entity conducting activities regulated by this Act shall be issued one license. Each office, place of business or location at which a residential mortgage licensee conducts any part of his or her business must be recorded with the Commissioner pursuant to Section 2-8 of this Act.

(g) Licensees under this Act shall solicit, broker, fund, originate, service and purchase residential mortgage loans only in conformity with the provisions of this Act and such rules and regulations as may be promulgated by the

Commissioner.

(h) This Act applies to all entities doing business in Illinois as residential mortgage bankers, as defined by "An Act to provide for the regulation of mortgage bankers", approved September 15, 1977, as amended, regardless of whether licensed under that or any prior Act. Any existing residential mortgage lender or residential mortgage broker in Illinois whether or not previously licensed, must operate in accordance with this Act.

(i) This Act is a successor Act to and a continuance of the regulation of residential mortgage bankers provided in, "An Act to provide for the regulation of mortgage bankers", approved September 15, 1977, as amended.

Entities and persons subject to the predecessor Act shall be subject to this Act from and after its effective date.

(Source: P.A. 93-1018, eff. 1-1-05.)

(205 ILCS 635/1-4) (from Ch. 17, par. 2321-4)

Sec. 1-4. Definitions.

(a) "Residential real property" or "residential real estate" shall mean any real property located in Illinois, upon which is constructed or intended to be constructed a dwelling ~~real property located in this State improved by a one to four family dwelling used or occupied, wholly or partly, as the home or residence of one or more persons and may refer, subject to regulations of the Commissioner, to unimproved real property~~

~~upon which these kinds dwellings are to be constructed.~~

(b) "Making a residential mortgage loan" or "funding a residential mortgage loan" shall mean for compensation or gain, either directly or indirectly, advancing funds or making a commitment to advance funds to a loan applicant for a residential mortgage loan.

(c) "Soliciting, processing, placing, or negotiating a residential mortgage loan" shall mean for compensation or gain, either directly or indirectly, accepting or offering to accept an application for a residential mortgage loan, assisting or offering to assist in the processing of an application for a residential mortgage loan on behalf of a borrower, or negotiating or offering to negotiate the terms or conditions of a residential mortgage loan with a lender on behalf of a borrower including, but not limited to, the submission of credit packages for the approval of lenders, the preparation of residential mortgage loan closing documents, including a closing in the name of a broker.

(d) "Exempt person or entity" shall mean the following:

- (1) (i) Any banking organization or foreign banking corporation licensed by the Illinois Commissioner of Banks and Real Estate or the United States Comptroller of the Currency to transact business in this State; (ii) any national bank, federally chartered savings and loan association, federal savings bank, federal credit union; (iii) any pension trust, bank trust, or bank trust company;

(iv) any bank, savings and loan association, savings bank, or credit union organized under the laws of this or any other state; (v) any Illinois Consumer Installment Loan Act licensee; (vi) any insurance company authorized to transact business in this State; (vii) any entity engaged solely in commercial mortgage lending; (viii) any service corporation of a savings and loan association or savings bank organized under the laws of this State or the service corporation of a federally chartered savings and loan association or savings bank having its principal place of business in this State, other than a service corporation licensed or entitled to reciprocity under the Real Estate License Act of 2000; or (ix) any first tier subsidiary of a bank, the charter of which is issued under the Illinois Banking Act by the Illinois Commissioner of Banks and Real Estate, or the first tier subsidiary of a bank chartered by the United States Comptroller of the Currency and that has its principal place of business in this State, provided that the first tier subsidiary is regularly examined by the Illinois Commissioner of Banks and Real Estate or the Comptroller of the Currency, or a consumer compliance examination is regularly conducted by the Federal Reserve Board.

(1.5) Any employee of a person or entity mentioned in item (1) of this subsection, when acting for such person or entity, or any registered mortgage loan originator when

acting for an entity described in subsection (tt) of this Section.

(2) Any person or entity that does not originate mortgage loans in the ordinary course of business making or acquiring residential mortgage loans with his or her or its own funds for his or her or its own investment without intent to make, acquire, or resell more than 2 ~~10~~ residential mortgage loans in any one calendar year.

(3) Any person employed by a licensee to assist in the performance of the activities regulated by this Act who is compensated in any manner by only one licensee.

(4) (Blank). ~~Any person licensed pursuant to the Real Estate License Act of 2000, who engages only in the taking of applications and credit and appraisal information to forward to a licensee or an exempt entity under this Act and who is compensated by either a licensee or an exempt entity under this Act, but is not compensated by either the buyer (applicant) or the seller.~~

(5) Any individual, corporation, partnership, or other entity that originates, services, or brokers residential mortgage loans, as these activities are defined in this Act, and who or which receives no compensation for those activities, subject to the Commissioner's regulations with regard to the nature and amount of compensation.

(6) (Blank). ~~A person who prepares supporting documentation for a residential mortgage loan application~~

~~taken by a licensee and performs ministerial functions pursuant to specific instructions of the licensee who neither requires nor permits the preparer to exercise his or her discretion or judgment; provided that this activity is engaged in pursuant to a binding, written agreement between the licensee and the preparer that:~~

~~(A) holds the licensee fully accountable for the preparer's action; and~~

~~(B) otherwise meets the requirements of this Section and this Act, does not undermine the purposes of this Act, and is approved by the Commissioner.~~

(e) "Licensee" or "residential mortgage licensee" shall mean a person, partnership, association, corporation, or any other entity who or which is licensed pursuant to this Act to engage in the activities regulated by this Act.

(f) "Mortgage loan" "residential mortgage loan" or "home mortgage loan" shall mean any loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling as defined in Section 103(v) of the federal Truth in Lending Act, or residential real estate upon which is constructed or intended to be constructed a dwelling ~~a loan to or for the benefit of any natural person made primarily for personal, family, or household use, primarily secured by either a mortgage on residential real property or certificates of stock or other evidence of ownership interests in and~~

~~proprietary leases from, corporations, partnerships, or limited liability companies formed for the purpose of cooperative ownership of residential real property, all located in Illinois.~~

(g) "Lender" shall mean any person, partnership, association, corporation, or any other entity who either lends or invests money in residential mortgage loans.

(h) "Ultimate equitable owner" shall mean a person who, directly or indirectly, owns or controls an ownership interest in a corporation, foreign corporation, alien business organization, trust, or any other form of business organization regardless of whether the person owns or controls the ownership interest through one or more persons or one or more proxies, powers of attorney, nominees, corporations, associations, partnerships, trusts, joint stock companies, or other entities or devices, or any combination thereof.

(i) "Residential mortgage financing transaction" shall mean the negotiation, acquisition, sale, or arrangement for or the offer to negotiate, acquire, sell, or arrange for, a residential mortgage loan or residential mortgage loan commitment.

(j) "Personal residence address" shall mean a street address and shall not include a post office box number.

(k) "Residential mortgage loan commitment" shall mean a contract for residential mortgage loan financing.

(l) "Party to a residential mortgage financing

transaction" shall mean a borrower, lender, or loan broker in a residential mortgage financing transaction.

(m) "Payments" shall mean payment of all or any of the following: principal, interest and escrow reserves for taxes, insurance and other related reserves, and reimbursement for lender advances.

(n) "Commissioner" shall mean the Commissioner of Banks and Real Estate, except that all references in this Act to the Commissioner of Banks and Real Estate are deemed, in appropriate contexts, to be references to the Secretary of Financial and Professional Regulation, or his or her designee, including the Director of the Division of Banking of the Department of Financial and Professional Regulation ~~or a person authorized by the Commissioner, the Office of Banks and Real Estate Act, or this Act to act in the Commissioner's stead.~~

(n-1) "Director" shall mean the Director of the Division of Banking of the Department of Financial and Professional Regulation, except that beginning on the effective date of this amendatory Act of the 96th General Assembly, all references in this Act to the Director are deemed, in appropriate contexts, to be the Secretary of Financial and Professional Regulation, or his or her designee, including the Director of the Division of Banking of the Department of Financial and Professional Regulation.

(o) "Loan brokering", "brokering", or "brokerage service" shall mean the act of helping to obtain from another entity,

for a borrower, a loan secured by residential real estate situated in Illinois or assisting a borrower in obtaining a loan secured by residential real estate situated in Illinois in return for consideration to be paid by either the borrower or the lender including, but not limited to, contracting for the delivery of residential mortgage loans to a third party lender and soliciting, processing, placing, or negotiating residential mortgage loans.

(p) "Loan broker" or "broker" shall mean a person, partnership, association, corporation, or limited liability company, other than those persons, partnerships, associations, corporations, or limited liability companies exempted from licensing pursuant to Section 1-4, subsection (d), of this Act, who performs the activities described in subsections (c) and (o) of this Section.

(q) "Servicing" shall mean the collection or remittance for or the right or obligation to collect or remit for any lender, noteowner, noteholder, or for a licensee's own account, of payments, interests, principal, and trust items such as hazard insurance and taxes on a residential mortgage loan in accordance with the terms of the residential mortgage loan; and includes loan payment follow-up, delinquency loan follow-up, loan analysis and any notifications to the borrower that are necessary to enable the borrower to keep the loan current and in good standing.

(r) "Full service office" shall mean an office, provided by

the licensee and not subleased from the licensee's employees, and staff in Illinois reasonably adequate to handle efficiently communications, questions, and other matters relating to any application for, or an existing home mortgage secured by residential real estate situated in Illinois with respect to which the licensee is brokering, funding originating, purchasing, or servicing. The management and operation of each full service office must include observance of good business practices such as adequate, organized, and accurate books and records; ample phone lines, hours of business, staff training and supervision, and provision for a mechanism to resolve consumer inquiries, complaints, and problems. The Commissioner shall issue regulations with regard to these requirements and shall include an evaluation of compliance with this Section in his or her periodic examination of each licensee.

(s) "Purchasing" shall mean the purchase of conventional or government-insured mortgage loans secured by residential real estate situated in Illinois from either the lender or from the secondary market.

(t) "Borrower" shall mean the person or persons who seek the services of a loan broker, originator, or lender.

(u) "Originating" shall mean the issuing of commitments for and funding of residential mortgage loans.

(v) "Loan brokerage agreement" shall mean a written agreement in which a broker or loan broker agrees to do either of the following:

(1) obtain a residential mortgage loan for the borrower or assist the borrower in obtaining a residential mortgage loan; or

(2) consider making a residential mortgage loan to the borrower.

(w) "Advertisement" shall mean the attempt by publication, dissemination, or circulation to induce, directly or indirectly, any person to enter into a residential mortgage loan agreement or residential mortgage loan brokerage agreement relative to a mortgage secured by residential real estate situated in Illinois.

(x) "Residential Mortgage Board" shall mean the Residential Mortgage Board created in Section 1-5 of this Act.

(y) "Government-insured mortgage loan" shall mean any mortgage loan made on the security of residential real estate insured by the Department of Housing and Urban Development or Farmers Home Loan Administration, or guaranteed by the Veterans Administration.

(z) "Annual audit" shall mean a certified audit of the licensee's books and records and systems of internal control performed by a certified public accountant in accordance with generally accepted accounting principles and generally accepted auditing standards.

(aa) "Financial institution" shall mean a savings and loan association, savings bank, credit union, or a bank organized under the laws of Illinois or a savings and loan association,

savings bank, credit union or a bank organized under the laws of the United States and headquartered in Illinois.

(bb) "Escrow agent" shall mean a third party, individual or entity charged with the fiduciary obligation for holding escrow funds on a residential mortgage loan pending final payout of those funds in accordance with the terms of the residential mortgage loan.

(cc) "Net worth" shall have the meaning ascribed thereto in Section 3-5 of this Act.

(dd) "Affiliate" shall mean:

(1) any entity that directly controls or is controlled by the licensee and any other company that is directly affecting activities regulated by this Act that is controlled by the company that controls the licensee;

(2) any entity:

(A) that is controlled, directly or indirectly, by a trust or otherwise, by or for the benefit of shareholders who beneficially or otherwise control, directly or indirectly, by trust or otherwise, the licensee or any company that controls the licensee; or

(B) a majority of the directors or trustees of which constitute a majority of the persons holding any such office with the licensee or any company that controls the licensee;

(3) any company, including a real estate investment trust, that is sponsored and advised on a contractual basis

by the licensee or any subsidiary or affiliate of the licensee.

The Commissioner may define by rule and regulation any terms used in this Act for the efficient and clear administration of this Act.

(ee) "First tier subsidiary" shall be defined by regulation incorporating the comparable definitions used by the Office of the Comptroller of the Currency and the Illinois Commissioner of Banks and Real Estate.

(ff) "Gross delinquency rate" means the quotient determined by dividing (1) the sum of (i) the number of government-insured residential mortgage loans funded or purchased by a licensee in the preceding calendar year that are delinquent and (ii) the number of conventional residential mortgage loans funded or purchased by the licensee in the preceding calendar year that are delinquent by (2) the sum of (i) the number of government-insured residential mortgage loans funded or purchased by the licensee in the preceding calendar year and (ii) the number of conventional residential mortgage loans funded or purchased by the licensee in the preceding calendar year.

(gg) "Delinquency rate factor" means the factor set by rule of the Commissioner that is multiplied by the average gross delinquency rate of licensees, determined annually for the immediately preceding calendar year, for the purpose of determining which licensees shall be examined by the

Commissioner pursuant to subsection (b) of Section 4-8 of this Act.

(hh) "Loan originator" means any natural person who, for compensation or in the expectation of compensation, either directly or indirectly makes, offers to make, solicits, places, or negotiates a residential mortgage loan. This definition applies only to Section 7-1 of this Act.

(ii) "Confidential supervisory information" means any report of examination, visitation, or investigation prepared by the Commissioner under this Act, any report of examination visitation, or investigation prepared by the state regulatory authority of another state that examines a licensee, any document or record prepared or obtained in connection with or relating to any examination, visitation, or investigation, and any record prepared or obtained by the Commissioner to the extent that the record summarizes or contains information derived from any report, document, or record described in this subsection. "Confidential supervisory information" does not include any information or record routinely prepared by a licensee and maintained in the ordinary course of business or any information or record that is required to be made publicly available pursuant to State or federal law or rule.

(jj) "Mortgage loan originator" means an individual who for compensation or gain or in the expectation of compensation or gain:

(i) takes a residential mortgage loan application; or

(ii) offers or negotiates terms of a residential mortgage loan.

"Mortgage loan originator" does not include an individual engaged solely as a loan processor or underwriter except as otherwise provided in subsection (d) of Section 7-1A of this Act.

"Mortgage loan originator" does not include a person or entity that only performs real estate brokerage activities and is licensed in accordance with the Real Estate License Act of 2000, unless the person or entity is compensated by a lender, a mortgage broker, or other mortgage loan originator, or by any agent of that lender, mortgage broker, or other mortgage loan originator.

"Mortgage loan originator" does not include a person or entity solely involved in extensions of credit relating to timeshare plans, as that term is defined in Section 101(53D) of Title 11, United States Code.

(kk) "Depository institution" has the same meaning as in Section 3 of the Federal Deposit Insurance Act, and includes any credit union.

(ll) "Dwelling" means a residential structure or mobile home which contains one to 4 family housing units, or individual units of condominiums or cooperatives.

(mm) "Immediate family member" means a spouse, child, sibling, parent, grandparent, or grandchild, and includes step-parents, step-children, step-siblings, or adoptive

relationships.

(nn) "Individual" means a natural person.

(oo) "Loan processor or underwriter" means an individual who performs clerical or support duties as an employee at the direction of and subject to the supervision and instruction of a person licensed, or exempt from licensing, under this Act. "Clerical or support duties" includes subsequent to the receipt of an application:

(i) the receipt, collection, distribution, and analysis of information common for the processing or underwriting of a residential mortgage loan; and

(ii) communicating with a consumer to obtain the information necessary for the processing or underwriting of a loan, to the extent that the communication does not include offering or negotiating loan rates or terms, or counseling consumers about residential mortgage loan rates or terms. An individual engaging solely in loan processor or underwriter activities shall not represent to the public, through advertising or other means of communicating or providing information, including the use of business cards, stationery, brochures, signs, rate lists, or other promotional items, that the individual can or will perform any of the activities of a mortgage loan originator.

(pp) "Nationwide Mortgage Licensing System and Registry" means a mortgage licensing system developed and maintained by

the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators for the licensing and registration of licensed mortgage loan originators.

(qq) "Nontraditional mortgage product" means any mortgage product other than a 30-year fixed rate mortgage.

(rr) "Person" means a natural person, corporation, company, limited liability company, partnership, or association.

(ss) "Real estate brokerage activity" means any activity that involves offering or providing real estate brokerage services to the public, including:

(1) acting as a real estate agent or real estate broker for a buyer, seller, lessor, or lessee of real property;

(2) bringing together parties interested in the sale, purchase, lease, rental, or exchange of real property;

(3) negotiating, on behalf of any party, any portion of a contract relating to the sale, purchase, lease, rental, or exchange of real property, other than in connection with providing financing with respect to any such transaction;

(4) engaging in any activity for which a person engaged in the activity is required to be registered or licensed as a real estate agent or real estate broker under any applicable law; or

(5) offering to engage in any activity, or act in any capacity, described in this subsection (ss).

(tt) "Registered mortgage loan originator" means any individual that:

(1) meets the definition of mortgage loan originator and is an employee of:

(A) a depository institution;

(B) a subsidiary that is:

(i) owned and controlled by a depository institution; and

(ii) regulated by a federal banking agency; or

(C) an institution regulated by the Farm Credit Administration; and

(2) is registered with, and maintains a unique identifier through, the Nationwide Mortgage Licensing System and Registry.

(uu) "Unique identifier" means a number or other identifier assigned by protocols established by the Nationwide Mortgage Licensing System and Registry.

(vv) "Residential mortgage license" means a license issued pursuant to Section 1-3, 2-2, or 2-6 of this Act.

(ww) "Mortgage loan originator license" means a license issued pursuant to Section 7-1A, 7-3, or 7-6 of this Act.

(Source: P.A. 93-561, eff. 1-1-04; 93-1018, eff. 1-1-05.)

(205 ILCS 635/2-2) (from Ch. 17, par. 2322-2)

Sec. 2-2. Application process; investigation; fee.

(a) The Commissioner shall issue a license upon completion

of all of the following:

(1) The filing of an application for license with the Director or the Nationwide Mortgage Licensing System and Registry as approved by the Director.

(2) The filing with the Commissioner of a listing of judgments entered against, and bankruptcy petitions by, the license applicant for the preceding 10 years.

(3) The payment, in certified funds, of investigation and application fees, the total of which shall be in an amount equal to \$2,700 annually, however, the Commissioner may increase the investigation and application fees by rule as provided in Section 4-11. To comply with the common renewal date and requirements of the Nationwide Mortgage Licensing System and Registry, the term of initial licenses may be extended or shortened with applicable fees prorated or combined accordingly.

(4) Except for a broker applying to renew a license, the filing of an audited balance sheet including all footnotes prepared by a certified public accountant in accordance with generally accepted accounting principles and generally accepted auditing principles which evidences that the applicant meets the net worth requirements of Section 3-5.

(5) The filing of proof satisfactory to the Commissioner that the applicant, the members thereof if the applicant is a partnership or association, the members or

managers thereof that retain any authority or responsibility under the operating agreement if the applicant is a limited liability company, or the officers thereof if the applicant is a corporation have 3 years experience preceding application in real estate finance. Instead of this requirement, the applicant and the applicant's officers or members, as applicable, may satisfactorily complete a program of education in real estate finance and fair lending, as approved by the Commissioner, prior to receiving the initial license. The Commissioner shall promulgate rules regarding proof of experience requirements and educational requirements and the satisfactory completion of those requirements. The Commissioner may establish by rule a list of duly licensed professionals and others who may be exempt from this requirement.

(6) An investigation of the averments required by Section 2-4, which investigation must allow the Commissioner to issue positive findings stating that the financial responsibility, experience, character, and general fitness of the license applicant and of the members thereof if the license applicant is a partnership or association, of the officers and directors thereof if the license applicant is a corporation, and of the managers and members that retain any authority or responsibility under the operating agreement if the license applicant is a

limited liability company are such as to command the confidence of the community and to warrant belief that the business will be operated honestly, fairly and efficiently within the purpose of this Act. If the Commissioner shall not so find, he or she shall not issue such license, and he or she shall notify the license applicant of the denial.

The Commissioner may impose conditions on a license if the Commissioner determines that the conditions are necessary or appropriate. These conditions shall be imposed in writing and shall continue in effect for the period prescribed by the Commissioner.

(b) All licenses shall be issued ~~in duplicate with one copy being transmitted to the license applicant and the second being retained with the Commissioner.~~

Upon receipt of such license, a residential mortgage licensee shall be authorized to engage in the business regulated by this Act. Such license shall remain in full force and effect until it expires without renewal, is surrendered by the licensee or revoked or suspended as hereinafter provided.

(Source: P.A. 93-32, eff. 7-1-03; 93-1018, eff. 1-1-05.)

(205 ILCS 635/2-3) (from Ch. 17, par. 2322-3)

Sec. 2-3. Application form.

(a) Application for a residential mortgage license must be made in accordance with Section 2-6 and, if applicable, in accordance with requirements of the Nationwide Mortgage

Licensing System and Registry. The application shall be in writing, under oath, and on a form obtained from and prescribed by the Commissioner, or may be submitted electronically, with attestation, to the Nationwide Mortgage Licensing System and Registry.

(b) The application shall contain the name and complete business and residential address or addresses of the license applicant. If the license applicant is a partnership, association, corporation or other form of business organization, the application shall contain the names and complete business and residential addresses of each member, director and principal officer thereof. Such application shall also include a description of the activities of the license applicant, in such detail and for such periods, as the Commissioner may require, including all of the following:

(1) An affirmation of financial solvency noting such capitalization requirements as may be required by the Commissioner, and access to such credit as may be required by the Commissioner.

(2) An affirmation that the license applicant or its members, directors or principals as may be appropriate, are at least 18 years of age.

(3) Information as to the character, fitness, financial and business responsibility, background, experience, and criminal record of any (i) person, entity, or ultimate equitable owner that owns or controls, directly

or indirectly, 10% or more of any class of stock of the license applicant; (ii) person, entity, or ultimate equitable owner that is not a depository institution, as defined in Section 1007.50 of the Savings Bank Act, that lends, provides, or infuses, directly or indirectly, in any way, funds to or into a license applicant, in an amount equal to or more than 10% of the license applicant's net worth; (iii) person, entity, or ultimate equitable owner that controls, directly or indirectly, the election of 25% or more of the members of the board of directors of a license applicant; or (iv) person, entity, or ultimate equitable owner that the Commissioner finds influences management of the license applicant.

(4) Upon written request by the licensee and notwithstanding the provisions of paragraphs (1), (2), and (3) of this subsection, the Commissioner may permit the licensee to omit all or part of the information required by those paragraphs if, in lieu of the omitted information, the licensee submits an affidavit stating that the information submitted on the licensee's previous renewal application is still true and accurate. The Commissioner may promulgate rules prescribing the form and content of the affidavit that are necessary to accomplish the purposes of this Section.

(5) Such other information as required by regulations of the Commissioner.

(Source: P.A. 89-355, eff. 8-17-95.)

(205 ILCS 635/2-4) (from Ch. 17, par. 2322-4)

Sec. 2-4. Averments of Licensee. Each application for license or for the renewal of a license shall be accompanied by the following averments stating that the applicant:

(a) Will maintain at least one full service office within the State of Illinois pursuant to Section 3-4 of this Act;

(b) Will maintain staff reasonably adequate to meet the requirements of Section 3-4 of this Act;

(c) Will keep and maintain for 36 months the same written records as required by the federal Equal Credit Opportunity Act, and any other information required by regulations of the Commissioner regarding any home mortgage in the course of the conduct of its residential mortgage business;

(d) Will file with the Commissioner or Nationwide Mortgage Licensing System and Registry as applicable, when due, any report or reports which it is required to file under any of the provisions of this Act;

(e) Will not engage, whether as principal or agent, in the practice of rejecting residential mortgage applications without reasonable cause, or varying terms or application procedures without reasonable cause, for home mortgages on real estate within any specific geographic

area from the terms or procedures generally provided by the licensee within other geographic areas of the State;

(f) Will not engage in fraudulent home mortgage underwriting practices;

(g) Will not make payment, whether directly or indirectly, of any kind to any in house or fee appraiser of any government or private money lending agency with which an application for a home mortgage has been filed for the purpose of influencing the independent judgment of the appraiser with respect to the value of any real estate which is to be covered by such home mortgage;

(h) Has filed tax returns (State and Federal) for the past 3 years or filed with the Commissioner an accountant's or attorney's statement as to why no return was filed;

(i) Will not engage in any discrimination or redlining activities prohibited by Section 3-8 of this Act;

(j) Will not knowingly make any false promises likely to influence or persuade, or pursue a course of misrepresentation and false promises through agents, solicitors, advertising or otherwise;

(k) Will not knowingly misrepresent, circumvent or conceal, through whatever subterfuge or device, any of the material particulars or the nature thereof, regarding a transaction to which it is a party to the injury of another party thereto;

(l) Will disburse funds in accordance with its

agreements;

(m) Has not committed a crime against the law of this State, any other state or of the United States, involving moral turpitude, fraudulent or dishonest dealing, and that no final judgment has been entered against it in a civil action upon grounds of fraud, misrepresentation or deceit which has not been previously reported to the Commissioner;

(n) Will account or deliver to the owner upon request ~~any person~~ any personal property such as money, fund, deposit, check, draft, mortgage, other document or thing of value, ~~which has come into its possession, and which is not its property, or~~ which it is not in law or equity entitled to retain under the circumstances, ~~at the time which has been agreed upon or is required by law, or, in the absence of a fixed time, upon demand of the person entitled to such accounting and delivery;~~

(o) Has not engaged in any conduct which would be cause for denial of a license;

(p) Has not become insolvent;

(q) Has not submitted an application for a license under this Act which contains a material misstatement;

(r) Has not demonstrated by course of conduct, negligence or incompetence in performing any act for which it is required to hold a license under this Act;

(s) Will advise the Commissioner in writing, or the Nationwide Mortgage Licensing System and Registry as

applicable, of any changes to the information submitted on the most recent application for license within 30 days of said change. The written notice must be signed in the same form as the application for license being amended;

(t) Will comply with the provisions of this Act, or with any lawful order, rule or regulation made or issued under the provisions of this Act;

(u) Will submit to periodic examination by the Commissioner as required by this Act;

(v) Will advise the Commissioner in writing of judgments entered against, and bankruptcy petitions by, the license applicant within 5 days of occurrence;

(w) Will advise the Commissioner in writing within 30 days of any request made to ~~when the license applicant requests~~ a licensee under this Act to repurchase a loan in a manner that completely and clearly identifies to whom the request was made, the loans involved, and the reason, ~~and the circumstances therefor;~~

(x) Will advise the Commissioner in writing within 30 days of any request from any entity ~~when the license applicant is requested by another entity~~ to repurchase a loan in a manner that completely and clearly identifies to whom the request was made, the loans involved, and the reason for the request, ~~and the circumstances therefor;~~

(y) Will at all times act in a manner consistent with subsections (a) and (b) of Section 1-2 of this Act; and

(z) Will not knowingly hire or employ a loan originator who is not registered, or mortgage loan originator who is not licensed, with the Commissioner as required under Section 7-1 or Section 7-1A, as applicable, of this Act.

A licensee who fails to fulfill obligations of an averment, to comply with averments made, or otherwise violates any of the averments made under this Section shall be subject to the penalties in Section 4-5 of this Act.

(Source: P.A. 95-331, eff. 8-21-07.)

(205 ILCS 635/2-6) (from Ch. 17, par. 2322-6)

Sec. 2-6. License issuance and renewal; fee.

(a) Beginning July 1, 2003, licenses shall be renewed every year on the anniversary of the date of issuance of the original license, or the common renewal date of the Nationwide Mortgage Licensing System and Registry as adopted by the Director. To comply with the common renewal date of the Nationwide Mortgage Licensing System and Registry, the term of existing licenses may be extended or shortened with applicable fees prorated accordingly. Properly completed renewal application forms and filing fees must be received by the Commissioner 60 days prior to the renewal date.

(b) It shall be the responsibility of each licensee to accomplish renewal of its license; failure of the licensee to receive renewal forms absent a request sent by certified mail for such forms will not waive said responsibility. Failure by a

licensee to submit a properly completed renewal application form and fees in a timely fashion, absent a written extension from the Commissioner, will result in the assessment of additional fees, as follows:

(1) A fee of \$750 will be assessed to the licensee 30 days after the proper renewal date and \$1,500 each month thereafter, until the license is either renewed or expires pursuant to Section 2-6, subsections (c) and (d), of this Act.

(2) Such fee will be assessed without prior notice to the licensee, but will be assessed only in cases wherein the Commissioner has in his or her possession documentation of the licensee's continuing activity for which the unexpired license was issued.

(c) A license which is not renewed by the date required in this Section shall automatically become inactive. No activity regulated by this Act shall be conducted by the licensee when a license becomes inactive. The Commissioner may require the licensee to provide a plan for the disposition of any residential mortgage loans not closed or funded when the license becomes inactive. The Commissioner may allow a licensee with an inactive license to conduct activities regulated by this Act for the sole purpose of assisting borrowers in the closing or funding of loans for which the loan application was taken from a borrower while the license was active. An inactive license may be reactivated by the Commissioner upon payment of

the renewal fee, and payment of a reactivation fee equal to the renewal fee.

(d) A license which is not renewed within one year of becoming inactive shall expire.

(e) A licensee ceasing an activity or activities regulated by this Act and desiring to no longer be licensed shall so inform the Commissioner in writing and, at the same time, convey the license and all other symbols or indicia of licensure. The licensee shall include a plan for the withdrawal from regulated business, including a timetable for the disposition of the business, and comply with the surrender guidelines or requirements of the Director. Upon receipt of such written notice, the Commissioner shall post the cancellation or issue a certified statement canceling the license.

(Source: P.A. 93-32, eff. 7-1-03; 93-561, eff. 1-1-04; 93-1018, eff. 1-1-05.)

(205 ILCS 635/3-1) (from Ch. 17, par. 2323-1)

Sec. 3-1. Bonds of licensees.

(a) Every licensee, with respect to any person appointed or elected to any position requiring the receipt of payment, management, or use of money belonging to a residential mortgage licensee engaged in the activities of originating, servicing, or purchasing mortgage loans or whose duties permit him or her to have access to or custody of any of its money or securities

or custody of any money or securities belonging to third parties or whose duties permit him or her regularly to make entries in the books or other records of a licensee, shall, before assuming his or her duties, maintain a fidelity bond in the amount of \$100,000 by some fidelity insurance company licensed to do business in this State.

(b) Each bond shall be for any loss the licensee may sustain in money or other property through the commission of any dishonest or criminal act or omission by any person required to be bonded, whether committed alone or in concert with another. The bond shall be in the form and amount approved by the Commissioner who may at any time require one or more additional bonds. A true copy of every bond, including all riders and endorsements executed subsequent to the effective date of the bond, shall be filed at all times with the Commissioner. Each bond shall provide that a cancellation thereof shall not become effective unless and until 30 days notice in writing first shall have been given to the Commissioner unless he or she shall have approved the cancellation earlier. If the Commissioner believes the licensee's business is being conducted in an unsafe manner due to the lack of bonds or the inadequacy of bonds, he or she may proceed against the licensee as provided for in Section 4-5.

(c) All licensees shall maintain a bond in accordance with this subsection. Each bond shall be for the recovery of expenses, fines, or fees due to or levied by the Commissioner

in accordance with this Act. The bond shall be payable when the licensee fails to comply with any provisions of this Act and shall be in the form of a surety or licensure bond in the amount and form as prescribed by the Commissioner pursuant to rules and regulations. The bond shall be payable to the Office of Banks and Real Estate and shall be issued by some insurance company authorized to do business in this State. A copy of the bond, including any and all riders and endorsements executed subsequent to the effective date of the bond, shall be placed on file with the Office of Banks and Real Estate within 10 days of the execution thereof.

(d) The Commissioner may promulgate rules with respect to bonding requirements for residential mortgage licensees and their mortgage loan originators that are reasonable and necessary to accomplish the purposes of this Act.

(Source: P.A. 89-508, eff. 7-3-96.)

(205 ILCS 635/3-2) (from Ch. 17, par. 2323-2)

Sec. 3-2. Annual audit.

(a) At the licensee's fiscal year-end, but in no case more than 12 months after the last audit conducted pursuant to this Section, except as otherwise provided in this Section, it shall be mandatory for each residential mortgage licensee to cause its books and accounts to be audited by a certified public accountant not connected with such licensee. The books and records of all licensees under this Act shall be maintained on

an accrual basis. The audit must be sufficiently comprehensive in scope to permit the expression of an opinion on the financial statements, which must be prepared in accordance with generally accepted accounting principles, and must be performed in accordance with generally accepted auditing standards. Notwithstanding the requirements of this subsection, a licensee that is a first tier subsidiary may submit audited consolidated financial statements of its parent as long as the consolidated statements are supported by consolidating statements. The licensee's chief financial officer shall attest to the licensee's financial statements disclosed in the consolidating statements.

(b) As used herein, the term "expression of opinion" includes either (1) an unqualified opinion, (2) a qualified opinion, (3) a disclaimer of opinion, or (4) an adverse opinion.

(c) If a qualified or adverse opinion is expressed or if an opinion is disclaimed, the reasons therefore must be fully explained. An opinion, qualified as to a scope limitation, shall not be acceptable.

(d) The most recent audit report shall be filed with the Commissioner within 90 days after the end of the licensee's fiscal year, or with the Nationwide Mortgage Licensing System and Registry, if applicable, pursuant to Mortgage Call Report requirements. The report filed with the Commissioner shall be certified by the certified public accountant conducting the

audit. The Commissioner may promulgate rules regarding late audit reports.

(e) If any licensee required to make an audit shall fail to cause an audit to be made, the Commissioner shall cause the same to be made by a certified public accountant at the licensee's expense. The Commissioner shall select such certified public accountant by advertising for bids or by such other fair and impartial means as he or she establishes by regulation.

(f) In lieu of the audit or compilation financial statement required by this Section, a licensee shall submit and the Commissioner may accept any audit made in conformance with the audit requirements of the U.S. Department of Housing and Urban Development.

(g) With respect to licensees who solely broker residential mortgage loans as defined in subsection (o) of Section 1-4, instead of the audit required by this Section, the Commissioner may accept compilation financial statements prepared at least every 12 months, and the compilation financial statement must be prepared by an independent certified public accountant licensed under the Illinois Public Accounting Act or by an equivalent state licensing law with full disclosure in accordance with generally accepted accounting principals and must be submitted within 90 days after the end of the licensee's fiscal year, or with the Nationwide Mortgage Licensing System and Registry, if applicable, pursuant to

Mortgage Call Report requirements. If a licensee under this Section fails to file a compilation as required, the Commissioner shall cause an audit of the licensee's books and accounts to be made by a certified public accountant at the licensee's expense. The Commissioner shall select the certified public accountant by advertising for bids or by such other fair and impartial means as he or she establishes by rule. A licensee who files false or misleading compilation financial statements is guilty of a business offense and shall be fined not less than \$5,000.

(h) The workpapers of the certified public accountants employed by each licensee for purposes of this Section are to be made available to the Commissioner or the Commissioner's designee upon request and may be reproduced by the Commissioner or the Commissioner's designee to enable to the Commissioner to carry out the purposes of this Act.

(i) Notwithstanding any other provision of this Section, if a licensee relying on subsection (g) of this Section causes its books to be audited at any other time or causes its financial statements to be reviewed, a complete copy of the audited or reviewed financial statements shall be delivered to the Commissioner at the time of the annual license renewal payment following receipt by the licensee of the audited or reviewed financial statements. All workpapers shall be made available to the Commissioner upon request. The financial statements and workpapers may be reproduced by the Commissioner or the

Commissioner's designee to carry out the purposes of this Act.

(Source: P.A. 93-561, eff. 1-1-04; 93-1018, eff. 1-1-05.)

(205 ILCS 635/3-4) (from Ch. 17, par. 2323-4)

Sec. 3-4. Office and staff within the State.

(a) A licensee whose principal place of business is located in the State of Illinois shall maintain at least one full service office with staff reasonably adequate to handle efficiently communications, questions, and all other matters relating to any application for a home mortgage or an existing home mortgage with respect to which such licensee is performing services, regardless of kind, for any borrower or lender, note owner or holder, or for himself or herself while engaged in the residential mortgage business. Offices shall not be located in any real estate, retail, or financial business establishment, unless separated from the other business by a separate and distinct area within the establishment. The location and operation of a full service office shall be in compliance with any applicable zoning laws or ordinances and home office or business regulations. The Director may require a licensee operating from a home or residentially zoned office to provide another approved location that is suitable to conduct an examination under Sections 4-2 and 4-7 of the Act. This subsection (a) does not limit the Director's authority to examine at any other office, facility or location of the licensee as permitted by the Act.

(b) In lieu of maintaining a full service office in the State of Illinois, and subject to the rules of the Department, a licensee whose principal place of business is located outside the State of Illinois may comply with all of the following requirements:

(1) provide, upon the Director's request and notice, an approved location that is suitable to conduct an examination under Sections 4-2 and 4-7 of the Act. This subsection (b) does not limit the Director's authority to examine at any other office, facility or location of the licensee as permitted by the Act.

(2) ~~must~~ submit a certified audit as required in Section 3-2 of this Act evidencing a minimum net worth of \$150,000 ~~\$100,000~~, which must be maintained at all times, and shall submit and maintain a fidelity bond in the amount of \$100,000.

(Source: P.A. 93-1018, eff. 1-1-05.)

(205 ILCS 635/4-1) (from Ch. 17, par. 2324-1)

Sec. 4-1. Commissioner of Banks and Real Estate; functions, powers, and duties. The functions, powers, and duties of the Commissioner of Banks and Real Estate shall include the following:

(a) To issue or refuse to issue any license as provided by this Act;

(b) To revoke or suspend for cause any license issued under

this Act;

(c) To keep records of all licenses issued under this Act;

(d) To receive, consider, investigate, and act upon complaints made by any person in connection with any residential mortgage licensee in this State;

(e) To consider and act upon any recommendations from the Residential Mortgage Board;

(f) To prescribe the forms of and receive:

(1) applications for licenses; and

(2) all reports and all books and records required to be made by any licensee under this Act, including annual audited financial statements and annual reports of mortgage activity;

(g) To adopt rules and regulations necessary and proper for the administration of this Act;

(h) To subpoena documents and witnesses and compel their attendance and production, to administer oaths, and to require the production of any books, papers, or other materials relevant to any inquiry authorized by this Act;

(h-1) To issue orders against any person, if the Commissioner has reasonable cause to believe that an unsafe, unsound, or unlawful practice has occurred, is occurring, or is about to occur, if any person has violated, is violating, or is about to violate any law, rule, or written agreement with the Commissioner, or for the purpose of administering the provisions of this Act and any rule adopted in accordance with

the Act;

(h-2) To address any inquiries to any licensee, or the officers thereof, in relation to its activities and conditions, or any other matter connected with its affairs, and it shall be the duty of any licensee or person so addressed, to promptly reply in writing to such inquiries. The Commissioner may also require reports from any licensee at any time the Commissioner may deem desirable;

(i) To require information with regard to any license applicant as he or she may deem desirable, with due regard to the paramount interests of the public as to the experience, background, honesty, truthfulness, integrity, and competency of the license applicant as to financial transactions involving primary or subordinate mortgage financing, and where the license applicant is an entity other than an individual, as to the honesty, truthfulness, integrity, and competency of any officer or director of the corporation, association, or other entity, or the members of a partnership;

(j) To examine the books and records of every licensee under this Act at intervals as specified in Section 4-2;

(k) To enforce provisions of this Act;

(l) To levy fees, fines, and charges for services performed in administering this Act; the aggregate of all fees collected by the Commissioner on and after the effective date of this Act shall be paid promptly after receipt of the same, accompanied by a detailed statement thereof, into the Savings and

Residential Finance Regulatory Fund; the amounts deposited into that Fund shall be used for the ordinary and contingent expenses of the Office of Banks and Real Estate. Nothing in this Act shall prevent continuing the practice of paying expenses involving salaries, retirement, social security, and State-paid insurance of State officers by appropriation from the General Revenue Fund.

(m) To appoint examiners, supervisors, experts, and special assistants as needed to effectively and efficiently administer this Act;

(n) To conduct hearings for the purpose of:

(1) appeals of orders of the Commissioner;

(2) suspensions or revocations of licenses, or fining of licensees;

(3) investigating:

(i) complaints against licensees; or

(ii) annual gross delinquency rates; and

(4) carrying out the purposes of this Act;

(o) To exercise exclusive visitorial power over a licensee unless otherwise authorized by this Act or as vested in the courts, or upon prior consultation with the Commissioner, a foreign residential mortgage regulator with an appropriate supervisory interest in the parent or affiliate of a licensee;

(p) To enter into cooperative agreements with state regulatory authorities of other states to provide for examination of corporate offices or branches of those states

and to accept reports of such examinations;

(q) To assign an examiner or examiners to monitor the affairs of a licensee with whatever frequency the Commissioner determines appropriate and to charge the licensee for reasonable and necessary expenses of the Commissioner, if in the opinion of the Commissioner an emergency exists or appears likely to occur; and

(r) To impose civil penalties of up to \$50 per day against a licensee for failing to respond to a regulatory request or reporting requirement.

(s) To enter into agreements in connection with the Nationwide Mortgage Licensing System and Registry.

(Source: P.A. 93-1018, eff. 1-1-05.)

(205 ILCS 635/4-2) (from Ch. 17, par. 2324-2)

Sec. 4-2. Examination; prohibited activities.

(a) The business affairs of a licensee under this Act shall be examined for compliance with this Act as often as the Commissioner deems necessary and proper. The Commissioner shall promulgate rules with respect to the frequency and manner of examination. The Commissioner shall appoint a suitable person to perform such examination. The Commissioner and his appointees may examine the entire books, records, documents, and operations of each licensee and its subsidiary, affiliate, or agent, and may examine any of the licensee's or its subsidiary's, affiliate's, or agent's officers, directors,

employees and agents under oath. For purposes of this Section, "agent" includes service providers such as accountants, closing services providers, providers of outsourced services such as call centers, marketing consultants, and loan processors, even if exempt from licensure under this Act. This Section does not apply to an attorney's privileged work product or communications.

(b) The Commissioner shall prepare a sufficiently detailed report of each licensee's examination, shall issue a copy of such report to each licensee's principals, officers, or directors and shall take appropriate steps to ensure correction of violations of this Act.

(c) Affiliates of a licensee shall be subject to examination by the Commissioner on the same terms as the licensee, but only when reports from, or examination of a licensee provides for documented evidence of unlawful activity between a licensee and affiliate benefiting, affecting or deriving from the activities regulated by this Act.

(d) The expenses of any examination of the licensee and affiliates shall be borne by the licensee and assessed by the Commissioner as established by regulation.

(e) Upon completion of the examination, the Commissioner shall issue a report to the licensee. All confidential supervisory information, including the examination report and the work papers of the report, shall belong to the Commissioner's office and may not be disclosed to anyone other

than the licensee, law enforcement officials or other regulatory agencies that have an appropriate regulatory interest as determined by the Commissioner, or to a party presenting a lawful subpoena to the Office of the Commissioner. The Commissioner may immediately appeal to the court of jurisdiction the disclosure of such confidential supervisory information and seek a stay of the subpoena pending the outcome of the appeal. Reports required of licensees by the Commissioner under this Act and results of examinations performed by the Commissioner under this Act shall be the property of only the Commissioner, but may be shared with the licensee. Access under this Act to the books and records of each licensee shall be limited to the Commissioner and his agents as provided in this Act and to the licensee and its authorized agents and designees. No other person shall have access to the books and records of a licensee under this Act. Any person upon whom a demand for production of confidential supervisory information is made, whether by subpoena, order, or other judicial or administrative process, must withhold production of the confidential supervisory information and must notify the Commissioner of the demand, at which time the Commissioner is authorized to intervene for the purpose of enforcing the limitations of this Section or seeking the withdrawal or termination of the attempt to compel production of the confidential supervisory information. The Commissioner may impose any conditions and limitations on the disclosure of

confidential supervisory information that are necessary to protect the confidentiality of such information. Except as authorized by the Commissioner, no person obtaining access to confidential supervisory information may make a copy of the confidential supervisory information. The Commissioner may condition a decision to disclose confidential supervisory information on entry of a protective order by the court or administrative tribunal presiding in the particular case or on a written agreement of confidentiality. In a case in which a protective order or agreement has already been entered between parties other than the Commissioner, the Commissioner may nevertheless condition approval for release of confidential supervisory information upon the inclusion of additional or amended provisions in the protective order. The Commissioner may authorize a party who obtained the records for use in one case to provide them to another party in another case, subject to any conditions that the Commissioner may impose on either or both parties. The requestor shall promptly notify other parties to a case of the release of confidential supervisory information obtained and, upon entry of a protective order, shall provide copies of confidential supervisory information to the other parties.

(f) The Commissioner, deputy commissioners, and employees of the Office of Banks and Real Estate shall be subject to the restrictions provided in Section 2.5 of the Office of Banks and Real Estate Act including, without limitation, the

restrictions on (i) owning shares of stock or holding any other equity interest in an entity regulated under this Act or in any corporation or company that owns or controls an entity regulated under this Act; (ii) being an officer, director, employee, or agent of an entity regulated under this Act; and (iii) obtaining a loan or accepting a gratuity from an entity regulated under this Act.

(g) After the initial examination for those licensees whose only mortgage activity is servicing fewer than 1,000 Illinois residential loans, the examination required in subsection (a) may be waived upon submission of a letter from the licensee's independent certified auditor that the licensee serviced fewer than 1,000 Illinois residential loans during the year in which the audit was performed.

(Source: P.A. 93-1018, eff. 1-1-05.)

(205 ILCS 635/4-5) (from Ch. 17, par. 2324-5)

Sec. 4-5. Suspension, revocation of licenses; fines.

(a) Upon written notice to a licensee, the Commissioner may suspend or revoke any license issued pursuant to this Act if he or she shall make a finding of one or more of the following in the notice that:

(1) Through separate acts or an act or a course of conduct, the licensee has violated any provisions of this Act, any rule or regulation promulgated by the Commissioner or of any other law, rule or regulation of this State or

the United States.

(2) Any fact or condition exists which, if it had existed at the time of the original application for such license would have warranted the Commissioner in refusing originally to issue such license.

(3) If a licensee is other than an individual, any ultimate equitable owner, officer, director, or member of the licensed partnership, association, corporation, or other entity has so acted or failed to act as would be cause for suspending or revoking a license to that party as an individual.

(b) No license shall be suspended or revoked, except as provided in this Section, nor shall any licensee be fined without notice of his or her right to a hearing as provided in Section 4-12 of this Act.

(c) The Commissioner, on good cause shown that an emergency exists, may suspend any license for a period not exceeding 180 days, pending investigation. Upon a showing that a licensee has failed to meet the experience or educational requirements of Section 2-2 or the requirements of subsection (g) of Section 3-2, the Commissioner shall suspend, prior to hearing as provided in Section 4-12, the license until those requirements have been met.

(d) The provisions of subsection (e) of Section 2-6 of this Act shall not affect a licensee's civil or criminal liability for acts committed prior to surrender of a license.

(e) No revocation, suspension or surrender of any license shall impair or affect the obligation of any pre-existing lawful contract between the licensee and any person.

(f) Every license issued under this Act shall remain in force and effect until the same shall have expired without renewal, have been surrendered, revoked or suspended in accordance with the provisions of this Act, but the Commissioner shall have authority to reinstate a suspended license or to issue a new license to a licensee whose license shall have been revoked if no fact or condition then exists which would have warranted the Commissioner in refusing originally to issue such license under this Act.

(g) Whenever the Commissioner shall revoke or suspend a license issued pursuant to this Act or fine a licensee under this Act, he or she shall forthwith execute ~~in duplicate~~ a written order to that effect. The Commissioner shall publish notice of such order in the Illinois Register and post notice of the order on an agency Internet site maintained by the Commissioner or on the Nationwide Mortgage Licensing System and Registry and shall forthwith serve a copy of such order upon the licensee. Any such order may be reviewed in the manner provided by Section 4-12 of this Act.

(h) When the Commissioner finds any person in violation of the grounds set forth in subsection (i), he or she may enter an order imposing one or more of the following penalties:

- (1) Revocation of license;

(2) Suspension of a license subject to reinstatement upon satisfying all reasonable conditions the Commissioner may specify;

(3) Placement of the licensee or applicant on probation for a period of time and subject to all reasonable conditions as the Commissioner may specify;

(4) Issuance of a reprimand;

(5) Imposition of a fine not to exceed \$25,000 for each count of separate offense; and

(6) Denial of a license.

(i) The following acts shall constitute grounds for which the disciplinary actions specified in subsection (h) above may be taken:

(1) Being convicted or found guilty, regardless of pendency of an appeal, of a crime in any jurisdiction which involves fraud, dishonest dealing, or any other act of moral turpitude;

(2) Fraud, misrepresentation, deceit or negligence in any mortgage financing transaction;

(3) A material or intentional misstatement of fact on an initial or renewal application;

(4) Failure to follow the Commissioner's regulations with respect to placement of funds in escrow accounts;

(5) Insolvency or filing under any provision of the Bankruptcy Code as a debtor;

(6) Failure to account or deliver to any person any

property such as any money, fund, deposit, check, draft, mortgage, or other document or thing of value, which has come into his or her hands and which is not his or her property or which he or she is not in law or equity entitled to retain, under the circumstances and at the time which has been agreed upon or is required by law or, in the absence of a fixed time, upon demand of the person entitled to such accounting and delivery;

(7) Failure to disburse funds in accordance with agreements;

(8) Any misuse, misapplication, or misappropriation of trust funds or escrow funds;

(9) Having a license, or the equivalent, to practice any profession or occupation revoked, suspended, or otherwise acted against, including the denial of licensure by a licensing authority of this State or another state, territory or country for fraud, dishonest dealing or any other act of moral turpitude;

(10) Failure to issue a satisfaction of mortgage when the residential mortgage has been executed and proceeds were not disbursed to the benefit of the mortgagor and when the mortgagor has fully paid licensee's costs and commission;

(11) Failure to comply with any order of the Commissioner or rule made or issued under the provisions of this Act;

(12) Engaging in activities regulated by this Act without a current, active license unless specifically exempted by this Act;

(13) Failure to pay in a timely manner any fee, charge or fine under this Act;

(14) Failure to maintain, preserve, and keep available for examination, all books, accounts or other documents required by the provisions of this Act and the rules of the Commissioner;

(15) Refusing, obstructing, evading, or unreasonably delaying an investigation, information request, or examination authorized under this Act, or refusing, obstructing, evading, or unreasonably delaying compliance with the Director's Refusal to permit an investigation or examination of the licensee's or its affiliates' books and records or refusal to comply with the Commissioner's subpoena or subpoena duces tecum;

(16) A pattern of substantially underestimating the maximum closing costs;

(17) Failure to comply with or violation of any provision of this Act.

(j) A licensee shall be subject to the disciplinary actions specified in this Act for violations of subsection (i) by any officer, director, shareholder, joint venture, partner, ultimate equitable owner, or employee of the licensee.

(k) Such licensee shall be subject to suspension or

revocation for unauthorized employee actions only if there is a pattern of repeated violations by employees or the licensee has knowledge of the violations, or there is substantial harm to a consumer.

(1) Procedure for surrender of license:

(1) The Commissioner may, after 10 days notice by certified mail to the licensee at the address set forth on the license, stating the contemplated action and in general the grounds therefor and the date, time and place of a hearing thereon, and after providing the licensee with a reasonable opportunity to be heard prior to such action, fine such licensee an amount not exceeding \$25,000 per violation, or revoke or suspend any license issued hereunder if he or she finds that:

(i) The licensee has failed to comply with any provision of this Act or any order, decision, finding, rule, regulation or direction of the Commissioner lawfully made pursuant to the authority of this Act; or

(ii) Any fact or condition exists which, if it had existed at the time of the original application for the license, clearly would have warranted the Commissioner in refusing to issue the license.

(2) Any licensee may submit application to surrender a license ~~by delivering to the Commissioner written notice that he or she thereby surrenders such license,~~ but upon the Director approving the surrender, it shall not affect

the licensee's civil or criminal liability for acts committed prior to surrender or entitle the licensee to a return of any part of the license fee.

(Source: P.A. 93-561, eff. 1-1-04; 93-1018, eff. 1-1-05.)

(205 ILCS 635/4-7 new)

Sec. 4-7. Additional investigation and examination authority. In addition to any authority allowed under this Act, the Director shall have the authority to conduct investigations and examinations as follows:

(a) For purposes of initial licensing, license renewal, license suspension, license conditioning, license revocation or termination, or general or specific inquiry or investigation to determine compliance with this Act, the Commissioner shall have the authority to access, receive, and use any books, accounts, records, files, documents, information, or evidence including, but not limited to, the following:

(1) criminal, civil, and administrative history information, including nonconviction data as specified in the Criminal Code of 1961;

(2) personal history and experience information, including independent credit reports obtained from a consumer reporting agency described in Section 603(p) of the federal Fair Credit Reporting Act; and

(3) any other documents, information, or evidence the Commissioner deems relevant to the inquiry or

investigation regardless of the location, possession, control, or custody of the documents, information, or evidence.

(b) For the purposes of investigating violations or complaints arising under this Act, or for the purposes of examination, the Commissioner may review, investigate, or examine any licensee, individual, or person subject to this Act, as often as necessary in order to carry out the purposes of this Act. The Commissioner may direct, subpoena, or order the attendance of and examine under oath all persons whose testimony may be required about the loans or the business or subject matter of any such examination or investigation, and may direct, subpoena, or order the person to produce books, accounts, records, files, and any other documents the Commissioner deems relevant to the inquiry.

(c) Each licensee, individual, or person subject to this Act shall make available to the Commissioner upon request the books and records relating to the operations of such licensee, individual, or person subject to this Act. The Commissioner shall have access to such books and records and interview the officers, principals, mortgage loan originators, employees, independent contractors, agents, and customers of the licensee, individual, or person subject to this Act concerning their business.

(d) Each licensee, individual, or person subject to this Act shall make or compile reports or prepare other information

as directed by the Commissioner in order to carry out the purposes of this Section including, but not limited to:

(1) accounting compilations;

(2) information lists and data concerning loan transactions in a format prescribed by the Commissioner; or

(3) other information deemed necessary to carry out the purposes of this Section.

(e) In making any examination or investigation authorized by this Act, the Commissioner may control access to any documents and records of the licensee or person under examination or investigation. The Commissioner may take possession of the documents and records or place a person in exclusive charge of the documents and records in the place where they are usually kept. During the period of control, no individual or person shall remove or attempt to remove any of the documents and records except pursuant to a court order or with the consent of the Commissioner. Unless the Commissioner has reasonable grounds to believe the documents or records of the licensee have been, or are at risk of being altered or destroyed for purposes of concealing a violation of this Act, the licensee or owner of the documents and records shall have access to the documents or records as necessary to conduct its ordinary business affairs.

(f) In order to carry out the purposes of this Section, the Commissioner may:

(1) retain attorneys, accountants, or other

professionals and specialists as examiners, auditors, or investigators to conduct or assist in the conduct of examinations or investigations;

(2) enter into agreements or relationships with other government officials or regulatory associations in order to improve efficiencies and reduce regulatory burden by sharing resources, standardized or uniform methods or procedures, and documents, records, information or evidence obtained under this Section;

(3) use, hire, contract, or employ public or privately available analytical systems, methods, or software to examine or investigate the licensee, individual, or person subject to this Act;

(4) accept and rely on examination or investigation reports made by other government officials, within or without this State; or

(5) accept audit reports made by an independent certified public accountant for the licensee, individual, or person subject to this Act in the course of that part of the examination covering the same general subject matter as the audit and may incorporate the audit report in the report of the examination, report of investigation, or other writing of the Commissioner.

(g) The authority of this Section shall remain in effect, whether such a licensee, individual, or person subject to this Act acts or claims to act under any licensing or registration

law of this State, or claims to act without the authority.

(h) No licensee, individual, or person subject to investigation or examination under this Section may knowingly withhold, abstract, remove, mutilate, destroy, or secrete any books, records, computer records, or other information.

(205 ILCS 635/4-8.1A new)

Sec. 4-8.1A. Confidentiality.

(a) In order to promote more effective regulation and reduce regulatory burden through supervisory information sharing, except as otherwise provided in federal Public Law 110-289, Section 1512, the requirements under any federal law or state law regarding the privacy or confidentiality of any information or material provided to the Nationwide Mortgage Licensing System and Registry, and any privilege arising under federal or state law, including the rules of any federal or state court, with respect to such information or material, shall continue to apply to information or material after the information or material has been disclosed to the Nationwide Mortgage Licensing System and Registry. The information and material may be shared with all state and federal regulatory officials with mortgage industry oversight authority without the loss of privilege or the loss of confidentiality protections provided by federal law or state law.

(b) In order to promote more effective regulation and reduce regulatory burden through supervisory information

sharing, the Director is authorized to enter agreements or sharing arrangements with other governmental agencies, the Conference of State Bank Supervisors, the American Association of Residential Mortgage Regulators or other associations representing governmental agencies as established by rule, regulation or order of the Director. The sharing of confidential supervisory information or any information or material described in subsection (a) of this Section pursuant to an agreement or sharing arrangement shall not result in the loss of privilege or the loss of confidentiality protections provided by federal law or state law.

(c) In order to promote more effective regulation and reduce regulatory burden through supervisory information sharing, information or material that is subject to a privilege or confidentiality under subsection (a) of this Section shall not be subject to the following:

(1) disclosure under any State law governing the disclosure to the public of information held by an officer or an agency of the State; or

(2) subpoena or discovery, or admission into evidence, in any private civil action or administrative process, unless with respect to any privilege held by the Nationwide Mortgage Licensing System and Registry with respect to the information or material, the person to whom such information or material pertains waives, in whole or in part, in the discretion of that person, that privilege.

(d) In order to promote more effective regulation and reduce regulatory burden through supervisory information sharing, other law relating to the disclosure of confidential supervisory information or any information or material described in subsection (a) of this Section that is inconsistent with subsection (a) of this Section shall be superseded by the requirements of this Section to the extent the other law provides less confidentiality or a weaker privilege.

(e) In order to promote more effective regulation and reduce regulatory burden through supervisory information sharing, this Section shall not apply to the employment history of a mortgage loan originator, and the record of publicly adjudicated disciplinary and enforcement actions against a mortgage loan originator.

(205 ILCS 635/4-8.3)

Sec. 4-8.3. Annual report of mortgage brokerage and servicing activity. On or before March 1 of each year or the date selected for Mortgage Call Reports under Section 4-9.1 of this Act, each licensee, ~~except residential mortgage brokers,~~ shall file a report with the Commissioner that shall disclose such information as the Commissioner requires. Exempt entities as defined in subsection (d) of Section 1-4 shall not file the annual report of mortgage and servicing activity required by this Section.

(Source: P.A. 93-1018, eff. 1-1-05.)

(205 ILCS 635/4-9.1 new)

Sec. 4-9.1. Mortgage call reports. Each residential mortgage licensee shall submit to the Nationwide Mortgage Licensing System and Registry reports of condition, which shall be in the form and shall contain the information that the Nationwide Mortgage Licensing System and Registry may require.

(205 ILCS 635/Art. VII heading)

ARTICLE VII.

MORTGAGE LOAN ORIGINATOR LICENSE REQUIRED

~~REGISTRATION OF LOAN ORIGINATORS~~

(205 ILCS 635/7-1)

Sec. 7-1. Registration required; rules and regulations. Beginning 6 months after the effective date of this amendatory Act of the 93rd General Assembly, it is unlawful for any natural person to act or assume to act as a loan originator, as defined in subsection (hh) of Section 1-4, without being registered with the Commissioner unless the natural person is exempt under items (1) and (1.5) of subsection (d) of Section 1-4 of this Act. The Commissioner shall promulgate rules prescribing the criteria for the registration and regulation of loan originators, including but not limited to, qualifications, fees, examination, education, supervision, and

enforcement. This Section shall not be effective on or after (1) the operability date of January 1, 2011 or (2) the operability date selected pursuant to Section 7-1A of this Act for a mortgage loan originator license; provided, however, that a violation of this Section committed before the operability date remains subject to penalties authorized by this Act.

(Source: P.A. 93-561, eff. 1-1-04.)

(205 ILCS 635/7-1A new)

Sec. 7-1A. Mortgage loan originator license.

(a) It is unlawful for any individual to act or assume to act as a mortgage loan originator, as defined in subsection (jj) of Section 1-4 of this Act, without obtaining a license from the Director, unless the individual is exempt under subsection (c) of this Section. Each licensed mortgage loan originator must register with and maintain a valid unique identifier issued by the Nationwide Mortgage Licensing System and Registry.

(b) In order to facilitate an orderly transition to licensing and minimize disruption in the mortgage marketplace, the operability date for subsection (a) of this Section shall be as provided in this subsection (b). For this purpose, the Director may require submission of licensing information to the Nationwide Mortgage Licensing System and Registry prior to the operability dates designated by the Director pursuant to items (1) and (2) of this subsection (b).

(1) For all individuals other than individuals described in item (2) of this subsection (b), the operability date as designated by the Director shall be no later than July 31, 2010, or any date approved by the Secretary of the U.S. Department of Housing and Urban Development, pursuant to the authority granted under federal Public Law 110-289, Section 1508.

(2) For all individuals registered as loan originators as of the effective date of this amendatory Act of the 96th General Assembly, the operability date as designated by the Director shall be no later than January 1, 2011, or any date approved by the Secretary of the U.S. Department of Housing and Urban Development, pursuant to the authority granted under Public Law 110-289, Section 1508.

(3) For all individuals described in item (1) or (2) of this subsection (b) who are loss mitigation specialists employed by servicers, the operability date shall be July 31, 2011, or any date approved by the Secretary of the U.S. Department of Housing and Urban Development pursuant to authority granted under Public Law 110-289, Section 1508.

(c) The following, when engaged in the following activities, are exempt from this Act:

(1) Registered mortgage loan originators, when acting for an entity described in subsection (tt) of Section 1-4.

(2) Any individual who offers or negotiates terms of a residential mortgage loan with or on behalf of an immediate

family member of the individual.

(3) Any individual who offers or negotiates terms of a residential mortgage loan secured by a dwelling that served as the individual's residence.

(4) A licensed attorney who negotiates the terms of a residential mortgage loan on behalf of a client as an ancillary matter to the attorney's representation of the client, unless the attorney is compensated by a lender, a mortgage broker, or other mortgage loan originator or by any agent of a lender, mortgage broker, or other mortgage loan originator.

(d) A loan processor or underwriter who is an independent contractor may not engage in the activities of a loan processor or underwriter unless he or she obtains and maintains a license under subsection (a) of this Section. Each independent contractor loan processor or underwriter licensed as a mortgage loan originator must have and maintain a valid unique identifier issued by the Nationwide Mortgage Licensing System and Registry.

(e) For the purposes of implementing an orderly and efficient licensing process, the Director may establish licensing rules or regulations and interim procedures for licensing and acceptance of applications. For previously registered or licensed individuals, the Director may establish expedited review and licensing procedures.

(205 ILCS 635/7-2 new)

Sec. 7-2. State license application and issuance.

(a) Applicants for a license shall apply in a form prescribed by the Director. Each form shall contain content as set forth by rule, regulation, instruction, or procedure of the Director and may be changed or updated as necessary by the Director in order to carry out the purposes of this Act.

(b) In order to fulfill the purposes of this Act, the Director is authorized to establish relationships or contracts with the Nationwide Mortgage Licensing System and Registry or other entities designated by the Nationwide Mortgage Licensing System and Registry to collect and maintain records and process transaction fees or other fees related to licensees or other persons subject to this Act.

(c) In connection with an application for licensing as a mortgage loan originator, the applicant shall, at a minimum, furnish to the Nationwide Mortgage Licensing System and Registry information concerning the applicant's identity, including the following:

(1) Fingerprints for submission to the Federal Bureau of Investigation, and any governmental agency or entity authorized to receive such information for a state, national and international criminal history background check.

(2) Personal history and experience in a form prescribed by the Nationwide Mortgage Licensing System and

Registry, including the submission of authorization for the Nationwide Mortgage Licensing System and Registry and the Director to obtain:

(A) an independent credit report obtained from a consumer reporting agency described in Section 603(p) of the Fair Credit Reporting Act; and

(B) information related to any administrative, civil, or criminal findings by any governmental jurisdiction.

(d) For the purpose of this Section, and in order to reduce the points of contact which the Federal Bureau of Investigation may have to maintain for purposes of subsection (c) of this Section, the Director may use the Nationwide Mortgage Licensing System and Registry as a channeling agent for requesting information from and distributing information to the Department of Justice or any governmental agency.

(e) For the purposes of this Section and in order to reduce the points of contact which the Director may have to maintain for purposes of item (2) of subsection (c) of this Section, the Director may use the Nationwide Mortgage Licensing System and Registry as a channeling agent for requesting and distributing information to and from any source so directed by the Director.

(205 ILCS 635/7-3 new)

Sec. 7-3. Issuance of license. The Director shall not issue a mortgage loan originator license unless the Director makes at

a minimum the following findings:

(1) The applicant has never had a mortgage loan originator license revoked in any governmental jurisdiction, except that a subsequent formal vacation of such revocation shall not be deemed a revocation.

(2) The applicant has not been convicted of, or pled guilty or nolo contendere to, a felony in a domestic, foreign, or military court:

(A) during the 7-year period preceding the date of the application for licensing and registration; or

(B) at any time preceding such date of application, if such felony involved an act of fraud, dishonesty, or a breach of trust, or money laundering;

provided that any pardon of a conviction shall not be a conviction for purposes of this item (2).

(3) The applicant has demonstrated financial responsibility, character, and general fitness so as to command the confidence of the community and to warrant a determination that the mortgage loan originator will operate honestly, fairly, and efficiently within the purposes of this Act. For purposes of this item (3) a person has shown that he or she is not financially responsible when he or she has shown a disregard for the management of his or her own financial condition. A determination that an individual has not shown financial responsibility may include, but is not limited to, consideration of:

(A) current outstanding judgments, except judgments solely as a result of medical expenses;

(B) current outstanding tax liens or other government liens and filings, educational loan defaults, and non-payment of child support;

(C) foreclosures within the past 3 years;

(D) a pattern of seriously delinquent accounts within the past 3 years; and

(E) an independent credit report obtained under Section 7-2(c)(2) of the Act; provided that, a credit score may not be the sole basis for determining that an individual has not shown financial responsibility; provided further that, the credit report may be the sole basis for determining that an individual has not shown financial responsibility.

(4) The applicant has completed the pre-licensing education requirement described in Section 7-4 of this Act.

(5) The applicant has passed a written test that meets the test requirement described in Section 7-5 of this Act.

(6) The applicant has met the surety bond requirement as required pursuant to Section 7-12 of this Act.

(205 ILCS 635/7-4 new)

Sec. 7-4. Pre-licensing and education of mortgage loan originators.

(a) In order to meet the pre-licensing education

requirement referred to in item (4) of Section 7-3 of this Act an individual shall complete at least 20 hours of education approved in accordance with subsection (b) of this Section, which shall include at least:

(1) 3 hours of Federal law and regulations;

(2) 3 hours of ethics, which shall include instruction on fraud, consumer protection, and fair lending issues; and

(3) 2 hours of training related to lending standards for the nontraditional mortgage product marketplace.

(b) For purposes of subsection (a) of this Section, pre-licensing education courses shall be reviewed and approved by the Nationwide Mortgage Licensing System and Registry based upon reasonable standards. Review and approval of a pre-licensing education course shall include review and approval of the course provider.

(c) Nothing in this Section shall preclude any pre-licensing education course, as approved by the Nationwide Mortgage Licensing System and Registry, that is provided by the employer of the applicant or an entity which is affiliated with the applicant by an agency contract, or any subsidiary or affiliate of such an employer or entity.

(d) Pre-licensing education may be offered in a classroom, online, or by any other means approved by the Nationwide Mortgage Licensing System and Registry.

(e) The pre-licensing education requirements approved by the Nationwide Mortgage Licensing System and Registry for the

subjects listed in items (1) through (3) of subsection (a) for any state shall be accepted as credit towards completion of pre-licensing education requirements in Illinois.

(f) An individual previously registered under this Act who is applying to be licensed after the effective date of this amendatory Act of the 96th General Assembly must prove that he or she has completed all of the continuing education requirements for the year in which the registration or license was last held.

(205 ILCS 635/7-5 new)

Sec. 7-5. Testing of mortgage loan originators.

(a) In order to meet the written test requirement referred to in item (5) of Section 7-3, an individual shall pass, in accordance with the standards established under this subsection (a), a qualified written test developed by the Nationwide Mortgage Licensing System and Registry and administered by a test provider approved by the Nationwide Mortgage Licensing System and Registry based upon reasonable standards.

(b) A written test shall not be treated as a qualified written test for purposes of subsection (a) of this Section unless the test adequately measures the applicant's knowledge and comprehension in appropriate subject areas, including:

(1) ethics;

(2) federal law and regulation pertaining to mortgage

origination;

(3) State law and regulation pertaining to mortgage origination; and

(4) federal and State law and regulation, including instruction on fraud, consumer protection, the nontraditional mortgage marketplace, and fair lending issues.

(c) Nothing in this Section shall prohibit a test provider approved by the Nationwide Mortgage Licensing System and Registry from providing a test at the location of the employer of the applicant or the location of any subsidiary or affiliate of the employer of the applicant, or the location of any entity with which the applicant holds an exclusive arrangement to conduct the business of a mortgage loan originator.

(d) An individual shall not be considered to have passed a qualified written test unless the individual achieves a test score of not less than 75% correct answers to questions.

An individual may retake a test 3 consecutive times with each consecutive taking occurring at least 30 days after the preceding test.

After failing 3 consecutive tests, an individual shall wait at least 6 months before taking the test again.

A licensed mortgage loan originator who fails to maintain a valid license for a period of 5 years or longer shall retake the test, not taking into account any time during which such individual is a registered mortgage loan originator.

(205 ILCS 635/7-6 new)

Sec. 7-6. Standards for license renewal.

(a) The minimum standards for license renewal for mortgage loan originators shall include the following:

(1) The mortgage loan originator continues to meet the minimum standards for license issuance under Section 7-3.

(2) The mortgage loan originator has satisfied the annual continuing education requirements described in Section 7-7.

(3) The mortgage loan originator has paid all required fees for renewal of the license.

(b) The license of a mortgage loan originator failing to satisfy the minimum standards for license renewal shall expire. The Director may adopt procedures for the reinstatement of expired licenses consistent with the standards established by the Nationwide Mortgage Licensing System and Registry.

(205 ILCS 635/7-7 new)

Sec. 7-7. Continuing education for mortgage loan originators.

(a) In order to meet the annual continuing education requirements referred to in Section 7-6, a licensed mortgage loan originator shall complete at least 8 hours of education approved in accordance with subsection (b) of this Section, which shall include at least:

- (1) 3 hours of Federal law and regulations;
- (2) 2 hours of ethics, which shall include instruction on fraud, consumer protection, and fair lending issues; and
- (3) 2 hours of training related to lending standards for the nontraditional mortgage product marketplace.

(b) For purposes of this subsection (a), continuing education courses shall be reviewed and approved by the Nationwide Mortgage Licensing System and Registry based upon reasonable standards. Review and approval of a continuing education course shall include review and approval of the course provider.

(c) Nothing in this Section shall preclude any education course, as approved by the Nationwide Mortgage Licensing System and Registry, that is provided by the employer of the mortgage loan originator or an entity which is affiliated with the mortgage loan originator by an agency contract, or any subsidiary or affiliate of the employer or entity.

(d) Continuing education may be offered either in a classroom, online, or by any other means approved by the Nationwide Mortgage Licensing System and Registry.

(e) A licensed mortgage loan originator:

(1) Except as provided in Section 7-6 and subsection (i) of this Section, may only receive credit for a continuing education course in the year in which the course is taken; and

(2) May not take the same approved course in the same

or successive years to meet the annual requirements for continuing education.

(f) A licensed mortgage loan originator who is an approved instructor of an approved continuing education course may receive credit for the licensed mortgage loan originator's own annual continuing education requirement at the rate of 2 hours credit for every one hour taught.

(g) A person having successfully completed the education requirements approved by the Nationwide Mortgage Licensing System and Registry for the subjects listed in subsection (a) of this Section for any state shall be accepted as credit towards completion of continuing education requirements in this State.

(h) A licensed mortgage loan originator who subsequently becomes unlicensed must complete the continuing education requirements for the last year in which the license was held prior to issuance of a new or renewed license.

(i) A person meeting the requirements of Section 7-6 may make up any deficiency in continuing education as established by rule or regulation of the Director.

(205 ILCS 635/7-8 new)

Sec. 7-8. Authority to require license. In addition to any other duties imposed upon the Director by law, the Director shall require mortgage loan originators to be licensed and registered through the Nationwide Mortgage Licensing System

and Registry. In order to carry out this requirement the Director is authorized to participate in the Nationwide Mortgage Licensing System and Registry. For this purpose, the Director may establish by agreement, order or rule requirements as necessary, including, but not limited to, the following:

(1) Background checks for:

(A) criminal history through fingerprint or other databases;

(B) civil or administrative records;

(C) credit history; or

(D) any other information as deemed necessary by the Nationwide Mortgage Licensing System and Registry.

(2) The payment of fees to apply for or renew licenses through the Nationwide Mortgage Licensing System and Registry;

(3) The setting or resetting as necessary of renewal or reporting dates; and

(4) Requirements for amending or surrendering a license or any other such activities as the Director deems necessary for participation in the Nationwide Mortgage Licensing System and Registry.

(205 ILCS 635/7-9 new)

Sec. 7-9. Report to Nationwide Mortgage Licensing System and Registry. Subject to State privacy laws, the Director is required to report regularly violations of this Act, as well as

enforcement actions and other relevant information, to the Nationwide Mortgage Licensing System and Registry subject to the provisions contained in Section 4-8.1A of this Act.

(205 ILCS 635/7-10 new)

Sec. 7-10. Nationwide Mortgage Licensing System and Registry information challenge process. The Director shall establish a process whereby mortgage loan originators may challenge information entered into the Nationwide Mortgage Licensing System and Registry by the Director.

(205 ILCS 635/7-11 new)

Sec. 7-11. Mortgage loan originator suspension or revocation of registration; refusal to renew; fines.

(a) In addition to any other action authorized by this Act or any other applicable law, rule or regulation, the Director may do the following:

(1) Suspend, revoke, or refuse to renew a license or reprimand, place on probation or otherwise discipline a licensee if the Director finds that the mortgage loan originator has violated this Act or any other applicable law or regulation or has been convicted of a criminal offense.

(2) Impose a fine of not more than \$1,000 for each day for each violation of this Act or any other applicable law or regulation that is committed. If the Mortgage Loan

Originator engages in a pattern of repeated violations, the Director may impose a fine of not more than \$2,000 for each day for each violation committed. In determining the amount of a fine to be imposed pursuant to this Act or any other applicable law or regulation, the Director shall consider all of the following:

(A) The seriousness of the violation;

(B) The mortgage loan originator's good faith efforts to prevent the violation; and

(C) The mortgage loan originator's history of violations and compliance with orders.

(b) In addition to any other action authorized by this Act or any other applicable law, rule or regulation, the Director may investigate alleged violations of the Act or any other applicable law, rule or regulation and complaints concerning any such violation. The Director may seek a court order to enjoin the violation.

(c) In addition to any other action authorized by this Act or any other applicable law, rule or regulation, if the Director determines that a mortgage loan originator is engaged in or is believed to be engaged in activities that may constitute a violation of this Act or any other applicable law, rule or regulation, the Director may issue a cease and desist order to compel the mortgage loan originator to comply with this Act or any other applicable law, rule or regulation or, upon a showing that an emergency exists, may suspend the

mortgage loan originator's license for a period not exceeding 180 calendar days, pending investigation.

(205 ILCS 635/7-12 new)

Sec. 7-12. Surety bond required.

(a) Each mortgage loan originator shall be covered by a surety bond in accordance with this Section. In the event that the mortgage loan originator is an employee or exclusive agent of a person subject to this Act, the surety bond of such person subject to this Act can be used in lieu of the mortgage loan originator's surety bond requirement. The surety bond shall provide coverage for each mortgage loan originator in an amount prescribed under subsection (b) of this Section. The surety bond shall be in a form prescribed by the Director. The Director may promulgate rules or regulations with respect to the requirements for such surety bonds as necessary to accomplish the purposes of this Act.

(b) The penal sum of the surety bond shall be maintained in an amount that reflects the dollar amount of loans originated as determined by the Director.

(c) When an action is commenced on a licensee's bond the Director may require the filing of a new bond.

(d) Immediately upon recovery upon any action on the bond the licensee shall file a new bond.

(205 ILCS 635/7-13 new)

Sec. 7-13. Prohibited acts and practices for mortgage loan originators. It is a violation of this Act for an individual subject to this Act to:

(1) Directly or indirectly employ any scheme, device, or artifice to defraud or mislead borrowers or lenders or to defraud any person.

(2) Engage in any unfair or deceptive practice toward any person.

(3) Obtain property by fraud or misrepresentation.

(4) Solicit or enter into a contract with a borrower that provides in substance that the person or individual subject to this Act may earn a fee or commission through "best efforts" to obtain a loan even though no loan is actually obtained for the borrower.

(5) Solicit, advertise, or enter into a contract for specific interest rates, points, or other financing terms unless the terms are actually available at the time of soliciting, advertising, or contracting.

(6) Conduct any business covered by this Act without holding a valid license as required under this Act, or assist or aid and abet any person in the conduct of business under this Act without a valid license as required under this Act.

(7) Fail to make disclosures as required by this Act and any other applicable State or federal law, including regulations thereunder.

(8) Fail to comply with this Act or rules or regulations promulgated under this Act, or fail to comply with any other state or federal law, including the rules and regulations thereunder, applicable to any business authorized or conducted under this Act.

(9) Make, in any manner, any false or deceptive statement or representation of a material fact, or any omission of a material fact, required on any document or application subject to this Act.

(10) Negligently make any false statement or knowingly and willfully make any omission of material fact in connection with any information or report filed with a governmental agency or the Nationwide Mortgage Licensing System and Registry or in connection with any investigation conducted by the Director or another governmental agency.

(11) Make any payment, threat or promise, directly or indirectly, to any person for the purpose of influencing the independent judgment of the person in connection with a residential mortgage loan, or make any payment threat or promise, directly or indirectly, to any appraiser of a property, for the purpose of influencing the independent judgment of the appraiser with respect to the value of the property.

(12) Collect, charge, attempt to collect or charge, or use or propose any agreement purporting to collect or charge any fee prohibited by this Act.

(13) Cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer.

(14) Fail to truthfully account for monies belonging to a party to a residential mortgage loan transaction.

(15) Engage in conduct that constitutes dishonest dealings.

(16) Knowingly instruct, solicit, propose, or cause a person other than the borrower to sign a borrower's signature on a mortgage related document, or solicit, accept or execute any contract or other document related to the residential mortgage transaction that contains any blanks to be filled in after signing or initialing the contract or other document, except for forms authorizing the verification of application information.

(17) Discourage any applicant from seeking or participating in housing or financial counseling either before or after the consummation of a loan transaction, or fail to provide information on counseling resources upon request.

(18) Charge for any ancillary products or services, not essential to the basic loan transaction for which the consumer has applied, without the applicant's knowledge and written authorization, or charge for any ancillary products or services not actually provided in the

transaction.

(19) Fail to give reasonable consideration to a borrower's ability to repay the debt.

(20) Interfere or obstruct an investigation or examination conducted pursuant to this Act.

(205 ILCS 635/7-14 new)

Sec. 7-14. Unique identifier shown. The unique identifier of any person originating a residential mortgage loan shall be clearly shown on all residential mortgage loan application forms, solicitations, and advertisements, including business cards and websites, and any other documents as established by rule, regulation, or order of the Commissioner.

Section 97. Severability. The provisions of this Act are severable under Section 1.31 of the Statute on Statutes.

Section 99. Effective date. This Act takes effect upon becoming law.