

CHAPTER 18
MORTGAGE BANKERS AND MORTGAGE BROKERS

187—18.1(17A,535B) Definitions. For the purposes of this chapter, the definitions in Iowa Code chapter 535B shall apply. In addition, unless the context otherwise requires:

“*Criminal background check*” means a state criminal background check and a national criminal history check through the Federal Bureau of Investigation.

“*License application*” means an electronic application submitted to the administrator for a license to operate as a mortgage banker or mortgage broker in accordance with the provisions of Iowa Code section 535B.4.

“*Licensee*” means a person who has a license to operate as a mortgage banker or mortgage broker in accordance with the provisions of Iowa Code section 535B.4.

“*Makes at least four mortgage loans,*” as used in Iowa Code section 535B.1(4)“*a,*” means the person is listed on loan documents as the lender for at least four mortgage loans.

“*Mortgage application*” means:

1. Any communication, regardless of form, from a licensee to a borrower requesting information typically required in an application for the purpose of deciding whether or not to extend the requested offer of a loan to a borrower; or

2. Any communication, regardless of form, from a borrower to a licensee for an offer or responding to a solicitation for an offer of residential mortgage loan terms or providing information typically required in an application for the purpose of deciding whether or not to extend the requested offer of a loan to a borrower.

“*Mortgage loan originator*” means a natural person who is licensed under 2009 Iowa Acts, Senate File 355, and 187—Chapter 19.

“*Nationwide mortgage licensing system and registry*” or “*NMLS&R*” 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 mortgage loan originators, mortgage providers, mortgage lenders, mortgage brokers, and mortgage servicers.

“*Services a loan*” or “*servicing a loan*” means undertaking the direct collection of payments on a loan from the borrower or the right to undertake direct collection of payments on a loan from the borrower.

[ARC 8238B, IAB 10/21/09, effective 1/1/10]

187—18.2(17A,535B) Application for license.

18.2(1) Application for a license to operate as a mortgage banker or mortgage broker shall be submitted to the administrator through the NMLS&R, and all requested information shall be provided on or with the application form. The administrator may consider an application or registration withdrawn if it does not contain all of the information required and the information is not submitted to the administrator within 30 days after the administrator requests the information.

18.2(2) The license application shall be accompanied by a fee of \$500 plus \$40 per additional branch location. The \$500 fee is not subject to refund. The applicant shall also pay any additional fees required by the NMLS&R including but not limited to the following: system processing fees, background check fees, and credit background check fees.

18.2(3) If any information changes after the filing of the initial application, the applicant shall provide updated information to the administrator in writing within 10 calendar days of the change. Failure to provide updated information when a change has occurred may result in denial of the application.

18.2(4) The administrator shall approve or deny a license application in accordance with the provisions of Iowa Code section 535B.5. A person shall not be eligible for licensing unless all mortgage loan originators who are employed by, under contract with, or exclusive agents of the person have successfully completed the licensing requirements of 2009 Iowa Acts, Senate File 355.

18.2(5) An applicant must file with the administrator a bond complying with the provisions of Iowa Code section 535B.9 as amended by 2009 Iowa Acts, Senate File 355, section 32. The bond amount required to be filed and maintained by the applicant shall be set and adjusted as necessary annually in accordance with the following scale, based on the volume of residential mortgage loans made, originated, arranged, brokered, processed, and underwritten, as the case may be, by the applicant or licensee during the preceding calendar year:

<u>Loans</u>	<u>Bond Amount</u>
\$0 – \$100,000,000	\$100,000
Over \$100,000,000	\$150,000

18.2(6) Licenses expire on the next December 31 after issuance. However, licenses granted on or after November 1 but before January 1 will not expire until December 31 of the following year. For example, a license granted on November 17, 2008, would not expire until December 31, 2009.
[ARC 8238B, IAB 10/21/09, effective 1/1/10]

187—18.3(17A,535B) Renewal of license.

18.3(1) To remain authorized to act as a mortgage banker or mortgage broker, a licensee must renew a license before the expiration date of the license. A licensee who fails to renew a license before expiration is not authorized to act as a mortgage banker or mortgage broker in Iowa after the expiration date.

18.3(2) Application to renew a license shall be submitted to the administrator before December 1 of the year of expiration through the NMLS&R. All requested information shall be provided to the administrator as directed by the NMLS&R. Applications for renewal of a license to transact business solely as a mortgage broker must be accompanied by a fee of \$200. Applications for renewal of a license to transact business as a mortgage banker must be accompanied by a fee of \$400. In addition, the licensee shall pay a branch office renewal fee of \$40 per branch. The administrator may assess late fees of up to \$10 per day for applications submitted after December 1.

18.3(3) The administrator shall grant an application to renew a license if:

- a. The administrator receives the application by December 1, accompanied by the appropriate renewal fee, or the administrator receives the application after December 1 but before January 1 and it is accompanied by the appropriate renewal fee and the appropriate late fee;
- b. The application is fully completed with all necessary information; and
- c. The application does not reveal grounds to deny a license.

18.3(4) A renewal application received by the administrator after December 31 may, at the discretion of the administrator, be rejected for processing or may be treated as a new application for a license. A licensee who fails to renew a license before the expiration date is not authorized to act as a mortgage banker or mortgage broker in Iowa after the expiration date.

187—18.4(17A,535B) Individual registration requirements. Rescinded IAB 10/21/09, effective 1/1/10.

187—18.5(17A,535B) Renewal of individual registration. Rescinded IAB 10/21/09, effective 1/1/10.

187—18.6(17A,535B) Unattached status of individual registrant. Rescinded IAB 10/21/09, effective 1/1/10.

187—18.7(17A,535B) Notice of significant events. A licensee shall notify the administrator immediately and in writing within five business days of the occurrence of any of the following events.

18.7(1) The licensee or any of the licensee's officers, directors, principal stockholders, or affiliates file for bankruptcy protection.

18.7(2) A prosecuting authority files criminal charges against the licensee or any of a licensee's officers, directors, principal stockholders, or affiliates.

18.7(3) Another state or jurisdiction institutes license denial, cease and desist, suspension or revocation procedures, or other formal or informal regulatory action against the licensee or any of the licensee's officers, directors, principal stockholders, or affiliates.

18.7(4) The attorney general of Iowa, the Federal Trade Commission, or the enforcer of the consumer protection laws of any other jurisdiction initiates an action to enforce consumer protection laws against the licensee or any of the licensee's officers, directors, principal stockholders, mortgage loan originators, employees, or affiliates.

18.7(5) The Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Housing Administration, or Government National Mortgage Association suspends or terminates the licensee's status as an approved seller or seller/servicer.

[ARC 8238B, IAB 10/21/09, effective 1/1/10]

187—18.8(17A,535B) Changes in the licensee's business; fees.

18.8(1) No licensee shall conduct the residential mortgage lending activities authorized in Iowa Code chapter 535B under any name other than that stated on the license.

18.8(2) A licensee shall notify the administrator in writing of a change in the location, the addition, or the closing of any office prior to the change, addition, or closure.

18.8(3) A licensee shall maintain on file with the administrator, through the NMLS&R, a list of all mortgage loan originators who are employed by, under contract with, or exclusive agents of the licensee. The licensee shall pay any fees assessed by the NMLS&R to add a mortgage loan originator to the licensee's list in the NMLS&R.

18.8(4) When a mortgage loan originator ceases to be employed by, under contract with, or an exclusive agent of a licensee, the licensee shall notify the administrator, through the NMLS&R, within five business days. The notification shall include the reasons for the termination of the mortgage loan originator's employment, contract, or agency.

18.8(5) A licensee shall notify the administrator in writing of the addition of any mortgage loan originator, owner, officer, partner, or director within five business days of addition.

18.8(6) Failure to notify the administrator within the prescribed time as required by this rule may subject the licensee to disciplinary action.

18.8(7) NMLS&R system processing fees. In addition to the fees set forth in this chapter, the applicant or licensee shall pay any fee assessed by the NMLS&R attributed to the licensee's record in the NMLS&R system including but not limited to the initial set-up fee, an annual processing fee, and a loan sponsorship transfer fee.

[ARC 8238B, IAB 10/21/09, effective 1/1/10]

187—18.9(17A,535B) Administrative fees.

18.9(1) *Examination and investigation late fees.* A licensee shall pay the administrator the total charge for an examination or investigation within 30 days after the administrator has requested payment. If a licensee fails to pay an examination or investigation fee by the due date, the administrator may assess an additional penalty of 5 percent of the amount of the fee for each day after the due date.

18.9(2) *Late fees for failing to respond.* In the process of administrating this chapter, the administrator may require a person to provide responses to formal orders, examinations, or complaint inquiries. If a person fails to respond within 30 days of the request, the administrator may assess a penalty of \$10 per day after the initial 30 days.

18.9(3) *License determination letters.* A person who requests written confirmation from the administrator that a license is not required shall submit a fee of \$100 with the written request.

18.9(4) *Required financial statements.* A licensee who fails to file with the administrator the financial statements required under Iowa Code section 535B.10(1) within 120 days after the end of a licensee's fiscal year shall be subject to a late penalty of \$100 for each day the financial statements are delinquent, but in no event shall the aggregate of late penalties exceed \$5,000. The administrator may relieve any licensee from the payment of any penalty, in whole or in part, for good cause.

18.9(5) *Duplicate license.* The licensee shall pay a fee of \$25 for each duplicate of an original license issued.

187—18.10(17A,535B) Continuing education. Rescinded IAB 10/21/09, effective 1/1/10.

187—18.11(17A,535B) Administrative requirements for courses. Rescinded IAB 10/21/09, effective 1/1/10.

187—18.12(17A,535B) Standards for approval of courses of instruction. Rescinded IAB 10/21/09, effective 1/1/10.

187—18.13(17A,535B) Standards for approval of live classroom courses. Rescinded IAB 10/21/09, effective 1/1/10.

187—18.14(17A,535B) Standards for approval of distance education courses. Rescinded IAB 10/21/09, effective 1/1/10.

187—18.15(17A,535B) Standards for approval of paper home-study courses. Rescinded IAB 10/21/09, effective 1/1/10.

187—18.16(17A,535B) Licensee records.

18.16(1) General record requirements. A licensee must keep records that allow the administrator to determine the licensee's compliance with relevant statutes and regulations.

- a. The licensee may keep the records as a hard copy or in an electronic equivalent.
- b. The licensee shall keep records for at least 25 months from the date of the final transaction with the borrower.
- c. The licensee shall maintain all books and records in good order and shall produce books and records for the administrator upon request. Failure to produce such books and records within 30 days of the administrator's request may be grounds for disciplinary action against the licensee.
- d. The obligation to maintain records continues even after the licensee ceases business operations in Iowa and turns in or surrenders its license. The owners and directors of the licensee are responsible for ensuring this requirement is met.

18.16(2) Required records.

- a. A mortgage broker shall keep an index, application log, and application files.
- b. A mortgage banker shall keep an index, application log, application files, loan register, and loan files. If the mortgage banker also services loans, the mortgage banker must also keep account ledgers.
- c. A mortgage banker who only services loans needs to keep only an index, a loan register, loan files, and account ledgers.

18.16(3) Index. All records shall be accessible by the borrower's name (including the name of any endorser, comaker, or surety who is indebted to the lender) and account number.

18.16(4) Application log. The application log is a chronological list of applications received. The application log shall include the name of the applicant, date the application was completed, the loan originator, notes for action taken on applications (such as "approved," "denied," or "withdrawn"), and date of action. For approved applications, the application log shall show the date the loan closed and the name of the lender. For purposes of these rules, information from an applicant becomes an application when the licensee obtains the name and social security number of the applicant.

18.16(5) Loan register. The loan register shall include the following information for every loan that is made: the date of the transaction, name of the borrower, the loan originator, name of the lender, and amount financed. The register shall be kept chronologically in the order the loans closed. The loan register may be combined with the application log.

18.16(6) Application file. A licensee shall maintain an application file for each application received. The application file shall contain copies of the application and any required disclosures. A copy of any adverse action taken on the application shall also be placed in the application file.

18.16(7) Loan file. A licensee shall maintain a loan file for each loan made. The loan file consists of the application file and documents from the loan closing. These documents include: note, mortgage,

all truth-in-lending disclosures, and all real estate settlement procedures Act disclosures. The loan file shall include documentation of how the loan proceeds were distributed.

18.16(8) *Account ledger.* A licensee shall maintain an account ledger for each loan that is serviced.

a. The account ledger shall include the following information: the name and address of the borrower, loan number, loan date, payment terms, maturity date, principal amount of loan, amount financed, total of payments, property listed as security, and distribution of the loan proceeds.

b. The account ledger shall include a transaction history. Payments shall be posted to the account ledger effective the date payments were received. Payment entries will show the date payment was received, the total amount of the payment, and a description of how the payment was applied to the borrower's account (amount applied to principal, interest, escrow, late fees, or additional written description). Other transactions shall be fully described. Corrections to the transaction history shall be made by corrective entry and not by erasure.

c. The account ledger shall show remaining balances due from the borrower, including principal, escrow, late fees, and other charges.

d. The account ledger shall show any change to the interest rate and the effective date of that change.

e. The account ledger shall include full descriptions of payments made outside the normal course of business, for example, payments made by the sale of security, insurance claim, or endorser. For any payments made by death claims on credit insurance, the date of death shall be noted in the account ledger.

f. When a loan is prepaid in full, the account ledger shall show the dates and amounts of any rebates made to the borrower including escrow rebates and the refunds of unearned insurance premiums.

18.16(9) *General business records.* A licensee must keep the following general business records for at least 36 months:

a. All checkbooks, check registers, bank statements, deposit slips, withdrawal slips, and canceled checks (or copies thereof) relating to the mortgage business of the licensee.

b. Complete records (including invoices and supporting documentation) for all expenses and fees paid on behalf of each mortgage applicant, including a record of the date and amount of all such payments actually made by each mortgage applicant.

c. Copies of all federal tax withholding forms, reports of income for federal taxation, and evidence of payments to all employees, independent contractors, and others compensated by a licensee in connection with the conduct of the mortgage lending business.

d. All correspondence and other records relating to the maintenance of any surety bond required by Iowa Code chapter 535B.

e. Copies of all contractual arrangements or understandings with third parties in any way relating to the provision of mortgage lending services (including, but not limited to, any delegations of underwriting authority, any agreements for pricing of goods or services, any investor contracts, any employment agreements, and any noncompete agreements).

f. Copies of all reports of audits, examinations, inspections, reviews, investigations, or other similar functions performed by any third party, including but not limited to the administrator or any other regulatory or supervisory authority.

g. Copies of all advertisements and solicitations concerning mortgage business directed at Iowa residents, including advertisements and solicitations on the Internet or by other electronic means, in the format (e.g., recorded sound, video, print) in which the advertisements and solicitations were published or distributed.

18.16(10) *Disposal of records.* If the licensee or former licensee disposes of records at the end of the retention period, the licensee or former licensee shall dispose of the records in a reasonable manner that safeguards any identification information, as defined in Iowa Code section 715A.8(1) "a." The owners and directors of licensees and former licensees are responsible for ensuring this requirement is met.

[ARC 8238B, IAB 10/21/09, effective 1/1/10]

187—18.17(17A,535B) Annual report. On or before March 31 each year, a licensee shall file with the administrator an annual report for the preceding calendar year on forms prescribed by the administrator.

For every day after March 31 that the report is not received, the administrator may assess late fees of \$10 per day.

[ARC 8238B, IAB 10/21/09, effective 1/1/10]

187—18.18(17A,535B) Advertising and representations to potential borrowers.

18.18(1) Any advertisement of mortgage loans which are offered by or through a licensee shall conform to the following requirements:

a. An advertisement shall be in compliance with Truth-in-Lending, Regulation Z, and any other applicable state and federal laws and regulations.

b. An advertisement shall be made only for such products and terms as are actually available and, if their availability is subject to any material requirements or limitations, the advertisement shall specify those requirements or limitations.

c. An advertisement shall not make any statement or fail to make any statement the result of which shall present a misleading or deceptive impression to consumers.

18.18(2) A licensee receiving a verbal or written inquiry about the licensee's services shall respond accurately to any questions about the scope and nature of such services and any costs.

[ARC 8238B, IAB 10/21/09, effective 1/1/10]

187—18.19(17A,535B) Complaints and investigations.

18.19(1) The administrator may, at any time and as often as the administrator deems necessary, investigate a business and examine the books, accounts, records, and files used by a licensee.

18.19(2) The administrator may investigate complaints or alleged violations about any licensee.

18.19(3) The following shall constitute a complaint or alleged violation:

a. A written complaint received from a consumer, member of the public, employee business affiliate, or other governmental agency.

b. Notice to the administrator from any source that the licensee has been the subject of disciplinary proceedings in another jurisdiction.

c. Notice to the administrator from any source that the licensee has been convicted of forgery, embezzlement, obtaining money under false pretenses, extortion, conspiracy to defraud, or other similar offense, in a court of competent jurisdiction in this state or in any other state, territory or district of the United States, or in any foreign jurisdiction.

[ARC 8238B, IAB 10/21/09, effective 1/1/10]

187—18.20(17A,535B) Disciplinary action.

18.20(1) The administrator has authority pursuant to Iowa Code chapters 535B and 17A to impose discipline for violations of Iowa Code chapter 535B and the rules promulgated thereunder.

18.20(2) Grounds for discipline. The administrator may impose any of the disciplinary sanctions set out in Iowa Code section 535B.7 when the administrator finds any of the following:

a. The licensee has violated a provision of Iowa Code chapter 535B or a rule adopted under Iowa Code chapter 535B or any other state or federal law applicable to the conduct of mortgage banking or mortgage brokering, including but not limited to Iowa Code chapters 535 and 535A.

b. A fact or condition exists which, had it existed at the time of the original application for the license, would have warranted the administrator to refuse to issue the original license.

c. The licensee is found upon investigation to be insolvent, in which case the license shall be revoked immediately.

d. The licensee has violated an order of the administrator.

e. The licensee fails to fully cooperate with an examination or investigation, including failure to respond to an administrator inquiry within 30 calendar days of the date of mailing a written communication directed to the licensee's last-known address on file with the administrator.

f. The licensee has engaged in any conduct that subverts or attempts to subvert an examination or investigation by the administrator.

g. The licensee continues to operate as a mortgage banker or mortgage broker without an active and current license.

h. and *i.* Reserved.

j. The licensee fails to notify the administrator within five days of the occurrence of one of the significant events set forth in rule 187—18.7(17A,535B).

k. Another state or jurisdiction has denied, suspended, revoked, or refused to renew the licensee's license, registration, or authorization to act as a mortgage banker or mortgage broker under the other state's or jurisdiction's law.

l. The licensee fails to create and maintain complete and accurate records as required by state or federal law, regulation, or rule.

18.20(3) A licensee may surrender a license by delivering to the administrator a written notice of surrender.

18.20(4) The administrator may issue a cease and desist order ordering a person to cease and desist from violating any provision of Iowa Code chapter 535B or rules adopted thereunder. The process for issuing a cease and desist order is described in Iowa Code section 535B.13.

[ARC 8238B, IAB 10/21/09, effective 1/1/10]

Rules 187—18.1(17A,535B) to 187—18.20(17A,535B) are intended to implement Iowa Code chapter 535B.

187—18.21(252J) Nonpayment of child support. Rescinded IAB 10/21/09, effective 1/1/10.

187—18.22(261) Nonpayment of student loan. Rescinded IAB 10/21/09, effective 1/1/10.

187—18.23(82GA,SF2428) Nonpayment of state debt. Rescinded IAB 10/21/09, effective 1/1/10.

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