This material is for reference only.

On May 24, 2018, the President signed the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Section 106 of EGRRCPA, entitled "Eliminating Barriers to Jobs for Loan Originators," amends the SAFE Act by providing temporary authority to loan originators in specific circumstances. That section of the EGRRCPA takes effect November 24, 2019. This Bulletin does not currently reflect the EGRRCPA. For more information on the changes to the SAFE Act, refer to section 106 of EGRRCPA and the Bureau's FAQs, "Secure and Fair Enforcement for Mortgage Licensing Act FAQs."

Consumer Financial Protection Bureau
1700 G Street NW, Washington, DC 20552

CFPB Bulletin 2012-05

Date: April 19, 2012

Subject: SAFE Act – Transitional Loan Originator Licensing

This Bulletin is being issued in response to several inquiries the Consumer Financial Protection Bureau (CFPB or Bureau) has received regarding whether states may, consistent with the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), permit transitional licensing of mortgage loan originators.

Transitions from one state to another

The SAFE Act generally prohibits an individual from engaging in the business of a loan originator without first obtaining, and maintaining annually, a unique identifier from the Nationwide Mortgage Licensing System and Registry (NMLSR) and either:

- a registration as a registered loan originator, or
- a license and registration as a State-licensed loan originator.[1]

Several state regulators have asked whether they may rely on another state's license in considering an application for a transitional license. Regulation H, which transferred to the CFPB from the Department of Housing and Urban Development (HUD), provides that, for an individual to be eligible for a loan originator license, "a state must require and find, at a minimum, that an individual" has met certain standards.[2] The SAFE Act and Regulation H allow a state, if it chooses, to provide a transitional loan originator license to an individual who holds a valid loan originator license from another state. In its preamble to the final SAFE Act rule, HUD stated that the final rule "does not limit the extent to which a state may take into consideration or rely upon the findings made by

1 12 U.S.C. § 5103(a).
2 12 C.F.R. § 1008.105.

another state in determining whether an individual is eligible under its own laws."[3] To receive a transitional loan originator license from the second state, an individual must meet either a net worth or surety bond requirement, or pay into a state fund, as required by the second state's loan originator supervisory authority, consistent with Regulation H and the SAFE Act. In this respect, the SAFE Act and Regulation H do permit state reciprocity with respect to transitional loan originator licensing.

Transitions of Registered Loan Originators

Several state regulators also have asked whether states may allow transitional loan originator licenses for registered loan originators who are changing employment and are no longer employees of depository institutions or certain other federally regulated institutions (collectively, federally regulated institutions). Transitional licenses for these individuals would allow them to act as loan originators while pursuing SAFE Act-compliant state loan originator licenses. Regulation H, however, requires that states prohibit an individual from engaging in the business of a loan originator with respect to any dwelling or residential real estate in the state unless the individual first:

- registers as a loan originator through, and obtains a unique identifier from, the NMLSR, and
- obtains and maintains a valid loan originator license from the state, except as otherwise permitted.[4]

For employees of federally regulated institutions who are registered with and maintain a unique identifier with NMLSR, Regulation H does not require them to meet this licensing requirement. However, when such an individual is no longer employed by a federally regulated institution, this exception no longer applies and their status reverts to being simply an unlicensed individual who is a registered loan originator. In those circumstances, Regulation H on its face prohibits states from allowing that unlicensed individual to engage in the business of a loan originator with respect to any dwelling or residential real estate in the state. Accordingly, Regulation H does not allow states to provide for a transitional

[3] 76 FR 38464, 38482 (2011).
[4] 12 C.F.R. § 1008.103(a).

license for a registered loan originator who leaves a federally regulated institution to act as a loan originator while pursuing a SAFE Act-compliant state license.[5]

The Bureau recognizes that this can create impediments to job changes and is committed to working with the states, industry, and the NMLSR to minimize these impediments going forward, consistent with the statutory language of the SAFE Act.

[5] Other exceptions may apply for the employee.