

DEPARTMENT OF REGULATORY AGENCIES

DIVISION OF REAL ESTATE

MORTGAGE BROKERS

PERMANENT RULE

4CCR 725 -3

1-4-1 MORTGAGE BROKER LICENSING EDUCATION

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Section 1. Authority

The Director of the Division of Real Estate adopts the following permanent rule entitled, **1-4-1 Mortgage Broker Licensing Education**, according to her authority as found in §§ 12-61-910.3, and 24-4-103, C.R.S.

Section 2. Scope and Purpose

Pursuant to § 12-61-903(3)(a), mortgage brokers must complete no less than nine hours of fundamental mortgage lending coursework and satisfactorily complete a corresponding written examination. The Director shall approve the fundamental mortgage lending coursework and the written examination.

The purpose of this rule is to clarify the education requirements for licensed mortgage brokers. The purpose is also to ensure compliance with education standards. It is vital to consumer protection and to competent mortgage broker practice that mortgage brokers understand applicable State and Federal Law.

Section 3. Applicability

This rule applies to each individual mortgage broker applicant and each individual mortgage broker who currently maintains a mortgage broker license through the Colorado Division of Real Estate.

Section 4. 1-4-1 Mortgage Broker Licensing Education Rules.

1. Applicant and Licensee Education Requirements

- (a) All mortgage brokers who obtain a Colorado mortgage broker license prior to January 1, 2009 must complete the 40 hours of licensing education and pass a

two-part written licensing examination by January 1, 2009. Individuals who fail to comply with this requirement may file for an extension. Extensions may be granted through and including March 31, 2009 and shall only be applied for beginning December 1, 2008 and ending January 30, 2009. Mortgage brokers requesting an education extension shall:

- i. Complete the education extension form created by the Director of the Division of Real Estate. This form may be found on the Division of Real Estate's website at <http://www.dora.state.co.us/real-estate/mortgage/MBForms.htm>;
 - ii. Pay a \$100.00 extension fee by money order or a cashier check;
 - iii. Request that the Director inactivate their mortgage broker license if they fail to pass the written examination in accordance with this rule by March 31, 2009, such inactive status remaining in effect until passage of the mortgage broker examination and subsequent request for activation; and
 - iv. Provide the Director with an original copy of the requisite surety bond, with the accompanying power of attorney and proof of the requisite errors and omissions insurance.
- (b) Individuals who fail to pass the requisite written examination by January 1, 2009 and who fail to comply with the extension process defined in this rule are subject to all forms of discipline authorized by the Mortgage Broker Licensing Act. Additionally, the license renewal, reinstatement or reactivation fees for such individuals will automatically be increased by \$500.00, due to the related increase in administrative burden.
- (c) The Director has created the Mortgage Broker Education Extension Form. This form may be found on the Division of Real Estate's website at <http://www.dora.state.co.us/real-estate/mortgage/MBForms.htm>.
- (d) On or after January 1, 2009, each individual applicant for initial licensing as a mortgage broker must complete, within the three years immediately preceding the date of the application, 40 hours of licensing education and pass a two-part exam prior to applying for a mortgage broker license.

2. Certificate of Completion

- (a) Mortgage broker applicants and licensees must receive a certification of completion from their education provider evidencing the successful completion of the respective licensing education coursework before scheduling the exam.

- (b) Mortgage broker applicants and licensees must ensure that their education provider files a certification of completion with the examination provider establishing the successful completion of the respective licensing education coursework before scheduling the exam. The education provider must file the certificate of completion with the approved examination provider electronically or in such manner as prescribed by the Director.

3. Licensing Education Passing Score

- (a) The mortgage broker written licensing examination consists of two parts. The two parts include the Federal, State and Consumer Protection Laws portion and the Mortgage Lending Basics and Ethics portion. On and after January 1, 2009, an individual shall not be considered to have passed the written test unless the individual achieves a test score of not less than seventy-five (75) percent correct answers on both the Federal and State Law portion of the exam and the Mortgage Lending Basics portion of the exam. If the applicant fails one of the two parts, the applicant may reschedule with the examination provider to retake only the portion of the exam that they failed. In no event is a passing score accepted beyond one year (365 days) from the date of the passing score.

4. Qualifying Schools

- (a) Mortgage broker applicants and licensees must receive the required 40 hours of licensing education, approved by the Director, from any accredited degree-granting college or university or any private occupational school that has a certificate of approval from the Division of Private Occupational Schools in accordance with the provisions of article 59 of title 12, Colorado Revised Statutes.

5. Forty Hour Licensing Education Requirement

- (a) Mortgage broker applicants and licensees must successfully complete the required forty hours of licensing education through classroom instruction or an equivalent distance learning course offered in a manner as prescribed by the Director. For the purposes of this rule, distance learning shall not be construed to include home or correspondent education. Rather, equivalent distant or distance learning courses shall only include online courses that ensure through security features and functionality that an individual has spent the same amount of time on the online course as they would in a traditional classroom setting. Pursuant to the requirements in Part 1 of this rule, the following licensing education must be successfully completed prior to taking the examination and applying for a license:
 - i. A minimum of 19.5 hours in Federal and State Law;
 - ii. A minimum of 16 hours in Mortgage 101; and
 - iii. A minimum of 4.5 hours in Business and Trade Practices

6. Exemption Qualifications

- (a) As prescribed by the Director or person(s) authorized by the Director, qualifying mortgage broker applicants who meet the following criteria are exempt from having to complete the Mortgage Lending Basics and Ethics portion of the education coursework and respective examination. To qualify for the exemption, mortgage brokers must meet all five requirements. They are as follows:
- i. Currently maintain a Colorado mortgage broker license.
 - ii. Maintain a membership with a mortgage broker association approved for exemption by the Division of Real Estate.
 - iii. Maintain a mortgage broker association designation that is current and in good standing.
 - iv. Provide the association's letter of certification to the education course provider prior to completing coursework.
 - v. Provide the association's letter of certification to an independent testing service contracted with by the Director, prior to taking the Federal and State Law exam.
- (b) Those who meet the criteria for exemption must complete the Federal and State Law portion of the licensing coursework and pass the Federal and State Law portion of the exam with a score of 75 percent or higher.

7. Authority to Audit Education Provider

- (a) The Director or persons, contractors or organizations authorized by the Director, may audit courses and may request from each education provider and schools offering the approved mortgage broker courses pursuant to requirements in part 5 of this rule, all related instructional materials, student attendance records and other information that may be necessary for an audit. The purpose of the audit is to ensure that education providers and schools adhere to the approved course of study, offer course material and instructions consistent with acceptable education standards and instruct in such a manner that the desired learning objectives are met. Failure to comply with this rule may result in the withdrawal of course approval.

8. Retesting

- (a) An individual may retake a test three (3) consecutive times with each consecutive taking occurring at least 30 days after the preceding test.
- (b) After failing three (3) consecutive tests, an individual shall wait at least six (6) months before taking the test again.
- (c) Individuals who fail to maintain a valid license for a period of five (5) years or longer shall retake the test, not taking into account any time during which such individual was licensed.

9. Penalties

(a) Individuals who violate this rule shall be subject to disciplinary action pursuant to § 12-61-905, C.R.S. Disciplinary action includes, but is not limited to:

- i. Revocation;
- ii. Refusal to renew a license;
- iii. Fines;
- iv. Denial of license; and
- v. Restitution for any financial loss.