



Illinois Department of Financial and Professional Regulation


Division of Banking

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To: Illinois Residential Mortgage Licensees, Illinois Loan Originator Registrants, Continuing Education Providers, and Industry Associations

From: Reynold Benjamin 
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Date: June 30, 2006

Re: Loan Originator Continuing Education
Reporting Requirements for Licensees and Registrants and Examination Procedures

This memorandum provides important information on the continuing education requirements for residential mortgage loan originators, the residential mortgage licensees who employ loan originators, and providers of continuing education. Specifically, the memorandum describes the procedures for monitoring compliance with the continuing education requirements that IDFPR¹ Division of Banking (the "Division") currently uses and those that it intends to implement in calendar years 2007 and 2008. (The Rules discussed in the Memorandum may be viewed on the Division website, www.idfpr.com.)

I. Continuing Education Requirements

Under the Section 1050.2120 of the Division Rules, a registered residential mortgage loan originator (an "LO") must complete annually six hours of continuing education ("CE") in residential mortgage finance and related topics. Equally important, the residential mortgage licensee that employs an LO (the "employing licensee") must assure that the LO meets the CE requirement. [38 IAC 1050.2120]

Also, regarding annual renewal of an LO Certificate of Registration, Section 1050.2140(b)(2) requires that the LO verify that he or she has complied with the CE requirement of Section 1050.2120. [38 IAC 1050.2140]

II. Current Procedures to Monitor Compliance

Renewal of a certificate of registration requires that the LO verify that he or she has completed the CE requirement of Section 1050.2120. Statements made in the application are made under penalty of perjury.

¹ Illinois Department of Financial and Professional Regulation.

Also, completion of the CE requirement is subject to audit by the Division. An LO is required to retain documentation of completion of CE and provide copies to the employing licensee. Employing licensees must retain the documentation and make it available during Division compliance examinations. (The renewal application may be viewed on the Division website, www.idfpr.com.)

At this time, individual CE providers and courses are not required to obtain the approval of the Division to offer CE to LOs.

III. New Procedures for the Year 2006 List of Approved Topics for CE Courses

Section 1050.2120(a), at a minimum, authorizes the Division to approve the CE topics that an LO takes to meet the CE requirement. Attachment A of this memorandum lists approved CE topics. The list is also posted on the Division web site, www.idfpr.com. After September 30, 2006, only approved CE topics may be taken to meet the LO CE requirement. Individual CE providers and courses will not be required to obtain the approval of the Division.

The requirement to take only CE on approved topics, as described above, is in addition to the renewal application requirements described in Parts I and II above.

IV. New Procedures for Calendar Years 2007 and 2008 Licensee Annual CE Report and CE Examination

During the calendar years 2007 and 2008, the Division intends to enhance its oversight of licensee and LO compliance with the CE requirements of Section 1050.2120. As described below, the Division will require a licensee to submit an annual CE report and will expand the scope of CE examination procedures. Initially at least, individual CE providers and courses will not require approval of the Division. However, if necessary to assure compliance, the Division intends to consider direct oversight of CE providers. If this occurs, LOs may be allowed to take only specific courses that the Division has approved.

CE Reporting Requirements

Employing Licensee Reporting Based on the employing licensee's responsibility to ensure that LOs meet the Division's CE requirement², the Division shall require each employing licensee to submit electronically an Annual Continuing Education Report (the "CE Report") to verify CE hours completed by LOs.

Attachment B of this memorandum describes the form and electronic filing requirement of the CE Report. The CE Report shall be filed annually on May 1 -- starting May 1, 2008.³ The CE Report shall specify all CE hours

² Section 1050.2120(a) of the Division's Rules for loan originators, in relevant part, states: "[t]he employing licensee shall be responsible for ensuring compliance with [the annual LO CE requirement] for each Loan Originator it employs."

taken during the preceding calendar year by each LO while in the licensee's employ during any part of the preceding calendar year. The CE Report must be comprehensive -- the employing licensee shall submit only one CE Report that contains all CE information for each LO employed during any part of the preceding calendar year.

LOs Who Are "Certified Professionals" An LO who possesses a certification issued by a professional association shall be required to complete six hours of CE annually. CE courses may be provided by the association or another provider. The employing licensee shall report courses provided by a professional association in the same manner as courses of other providers.

LOs Who Are Licensed Attorneys An LO who is admitted to the practice of law pursuant to the Illinois Supreme Court Rules is exempt from the annual CE requirement. The LO must be admitted to practice before the calendar year for which the he or she seeks the CE exemption. The employing licensee on the CE Report should report that LO claims the "Illinois attorney exemption" and provide the LO's Illinois Attorneys Registration and Disciplinary Committee registration number.

Report Preparation by A Third Party A CE provider and a professional association that provides CE may prepare an employing licensee's CE Report, but may not submit the CE Report for the licensee. The employing licensee itself shall submit the CE Report and shall remain responsible for its content. The Division shall list on its website CE providers and professional associations who have demonstrated to the Division the ability to prepare a CE Report in the form required by the Division (Attachment B). This procedure is voluntary for CE providers.

Employing Licensee CE Policies and Procedures An employing licensee shall have suitable written and implemented policies and procedures to ensure that LOs comply with the CE requirements of Section 1050.2120 of the Division's Rules. An employing licensee also shall have suitable written and implemented policies and procedures to assure that CE Reports are in the required form and are accurate and timely.

LO Reporting An LO shall not submit CE information directly to the Division. An LO shall report the completion of CE courses to his or her employing licensee. The employing licensing shall set reporting requirements that enable the employing licensee to obtain the CE information needed to compile the CE Report. For each CE course an LO wishes to count towards the CE requirement, the LO shall retain all instructional and testing materials and all documents evidencing registration for, attendance at, and completion of the course.

Examination Procedures

³ All licensees should take the steps necessary to file the first CE Report by May 1, 2008 for LO CE taken from January 1, 2007 through December 31, 2007. The Division will not extend the filing deadline. However, if the Division determines that circumstances related to the Division's implementation of LO CE procedures warrant, the Division may permit – on an industry-wide basis, for the 2008 report only – the filing of incomplete reports. The Division will not consider requests from individual licensees for permission to file an incomplete report.

As part of each examination of licensee commencing on or after May 1, 2008, the Division shall implement examination procedures to audit compliance with the requirements that an LO completes CE and that the employing licensee ensures that the LO meets the CE requirement. Procedures shall be instituted to determine at least the following:

Has the licensee written and implemented suitable policies and procedures to ensure that LOs comply with the CE requirements of Section 1050.2120 of the Division's Rules? Does the licensee monitor LO compliance with and enforce the policies and procedures? The Division will assess whether policies and procedures are suitable given the particular circumstances of the business, not just whether the minimum described above is met.

Has the licensee implemented suitable policies and procedures to assure that CE Reports are in the required form and are accurate and timely?

Is the content and administration of CE courses adequate?

Is the documentation of completion of CE courses adequate?

Enforcement of CE Requirements

An employing licensee may be subject to disciplinary action including revocation or disapproval of renewal of its license for failure to take suitable steps to ensure that its LOs generally comply with the CE requirements of Section 1050.2120 or for failure to submit a CE Report. If an individual LO fails on a single occasion to meet the CE requirement, an important factor in whether the Division will pursue disciplinary action against the employing licensee is whether the employing licensee has implemented suitable CE policies and procedures to ensure that its LOs comply with the CE requirements of Section 1050.2120.

An LO may be subject to disciplinary action including revocation or disapproval of renewal for failure to complete six hours of CE as required by Section 1050.2120.

V. Additional Information

The Division intends to provide further guidance on implementation of and compliance with the CE requirements described in Part IV of this memorandum. The Division requests that interested parties await such guidance.

Attachment A

Approved Topics for Continuing Education for Loan Originators Registered Under the Illinois Residential Mortgage License Act

Pursuant to Section 1050.2120 of the Rules under the Illinois Residential Mortgage License Act [38 Ill. Adm. Code 1050.2120, the Division approves the following topics for continuing education for loan originators:

Accounting
Appraisal of Real Property
Compliance
Credit Report Review and Understanding
Ethics
Fair Housing Law
Fair Lending Practices
Federal Mortgage Laws
Finance
Illinois High-Risk Home Loan Act
Illinois Loan Originator Exam Review
Illinois Mortgage Laws
Internal Control
Loan Office Professional Training
Loan Procedures / Process / Understanding
Mortgage Fraud and Fraud Detection
Processing / Underwriting / Valuation
Residential Mortgage Lending Principles
Understanding the Real Property Sales Transaction

ATTACHMENT B

Annual Continuing Education Report ("CE Report")

Residential mortgage licensees pursuant Section 1050.2120 of the Rules anunder the Illinois Residential Mortgage License Act [38 Ill. Adm. Code 1075.2120] will be required to file this CE Report. The reporting will be annually – starting May 1, 2008. The report must be in the form indicated below.

The CE Report format must be Excel 2003 spreadsheet. The report must include the fields as listed below. For each field, licensees must report all applicable LO CE information for each LO it has employed for any part of the calendar year. All information will be tagged to the licensee's corporate office. Finally, the report must be filed via a loadable disk: CD-R that is not "write protected."

Required Reporting Fields:

- A. Mortgage Banking Licensee License Number (format numeric)
- B. Mortgage Banking Licensee Name (format text)
- C. Loan Originator Name (format text)
- D. Loan Originator Certification Number (format numeric)
- E. Loan Originator Social Security Number (format numeric)
- F. Start Date (format numeric, MM/DD/YYYY)
- G. Termination Date (format numeric, MM/DD/YYYY)
- H. Claiming Attorney Exempt Status: (format text: Yes / No)
- I. Active Illinois Attorney Registration Number (format text)
- J. School Name (format text)
- K. School Contact Name (format text)
- L. Contact Title (format text)
- M. Main Phone number for School (format numeric)
- N. School Street Address (format text)
- O. School City (format text)
- P. School State (format text)
- Q. School Zip (format numeric)
- R. Instructor Name (format text)
- S. Instructor's educational level
- T. Course Date (format numeric, MM/DD/YYYY)
- U. Course Name (format text)
- V. Course Topic (format text)
- W. Credit Hours Received for this Course (format numeric)