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Mortgage Educators
and Compliance

*2 Hour FL SAFE State Law Pre-Licensing
Education (Course 11057)*

Mortgage Educators & Compliance, Inc.

NMLS Approved Provider #1400062

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2 Hour FL SAFE State Law Pre-Licensing Education
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CHAPTER 1

Licensing & Regulation

Learning Objectives for Chapter 1

- ☐ Understand Licensing and Operation of Mortgage Brokers & Lenders, including Net Worth Requirements
- ☐ Describe Licensing & Regulation of Mortgage Professionals
- ☐ Relate the Powers and Mission of the Florida Office of Financial Regulation
- ☐ Restate Requirements for Examination & Audits
- ☐ Identify Requirements for Records, Financial Statements, & Reports

The Florida Office of Financial Regulation

The Florida Office of Financial Regulations (FL-OFR) provides regulatory oversight for Florida's financial services providers. Under the FL-OFR, the Consumer Finance division regulates non-depository financial services and conducts examinations of regulated entities. Mortgage loan originators, mortgage brokers and mortgage lenders equally fall into their regulatory enforcement authority.

The Consumer Finance division has two distinct bureaus to protect the financial health of Floridians. The Bureau of Registrations provides resources and support for the registration and licensing of businesses and individuals for a wide variety of consumer financial services. The Bureau of Enforcement investigates and examines businesses that are conducting business in Florida to ensure they comply with state laws.

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Bureau of Registration: *Processes licenses to ensure that only individuals and businesses that meet the requirements in Florida law are allowed to conduct business in Florida.*

Bureau of Enforcement: *Conducts examinations of licensees which conduct mortgage loan and lending activity, consumer and retail sales, title loans and debt collection.*

The FL-OFR was established in 2003 through the Cabinet Reorganization Act of 2002. Previously, the Comptroller Office handled regulatory oversight of consumer finance dating back to the 1800s. The Cabinet Reorganization Act of 2002 created the Financial Services Commission, which consists of the Governor and several key Cabinet members, including the Chief Financial Officer, Attorney General, and Agriculture Commissioner.

FL-OFR Mission Statement:

To protect Florida's financial services consumers, promote a safe and sound financial marketplace, and contribute to the growth of Florida's economy through fair, innovative, and excellent regulation of the financial services industry.

 [Florida Office of Regulations](#)

The Office of Financial Regulation has the authority to uphold and enforce Florida law in all aspects of the financial services that are provided to the citizens of the state. The Office of Financial Regulation is headed by a commissioner who is appointed by the Financial Services Commission. However, the Financial Services Commission has the ultimate authority as they are responsible for the final approval of any rules that are developed by the Office of Financial Regulation.

 [The Florida Constitution Article IV,V](#)

Investigations & Examinations (Audits)

The FL-OFR can investigate any person whenever they believe that any violation has occurred, either because of a complaint or other issue. Any person in FL can issue a complaint. Borrowers or even an employee of a company can file a complaint with the FL-OFR.

The FL-OFR can also conduct examinations of a licensee at any time. Examinations are also known as audits. The FL-OFR does not have to have a reason to examine a licensee. They are done to ensure that a licensee is remaining in compliance with both state and federal law.

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To reduce the burden, the FL-OFR can conduct a joint or concurrent examination with a state or federal regulatory agency and can furnish a copy of all examinations to an appropriate regulator if the regulator agrees to abide by confidentiality provisions.

The FL-OFR may also accept an examination from an appropriate regulator. For example, suppose the CFPB is currently doing an examination of the licensee. In that case, Florida can take that examination to replace their own or use it in aiding their examination of the licensee.

Florida Statutes Chapter 494.0012

Exemptions

All brokers, lenders, and mortgage professionals are required to be licensed to perform their duties. There are some exemptions to the rule, which include:

- Depository Institutions (like banks and credit unions) and their registered mortgage professionals
- Fannie Mae, Freddie Mac, and Ginnie Mae
- Attorneys licensed in Florida (as long as the licensee is not compensating them)
- Individuals extending credit for timeshares
- Real estate brokers (as long as they are not acting as mortgage professionals)
- Anyone acting in a fiduciary capacity conferred by a court
- Someone selling their property (seller-financing)

Florida Statutes Chapter 494.00115

Mortgage Lender & Broker Licenses

Both mortgage lenders and mortgage brokers must have a license in Florida. They have similar requirements with a few differences. To obtain a license as either a lender or a broker, they must apply through the NMLS and pay the nonrefundable application fee. During this process, the applicants must submit fingerprints and allow the NMLS to pull credit reports for all their control persons. **Control persons** are the people in control of the entity, like owners of the company and executive officers. The type of company organization determines the designation of the control person.

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Lenders are also required to designate a qualified principal loan originator and indicate whether they are looking for a servicing endorsement (i.e., they intend to service as well as originate). A lender should ask for a servicing endorsement if they wish to service their loans for more than four months.

Lenders and brokers are required to have a principal office where they transact their business. They can also have branch offices. Each branch office must obtain its own license and go through its own licensing process. All licenses must be renewed yearly, including the branch offices. Each branch office must have a branch manager.

Florida Statutes Chapter 494.00611; 494.0067; F.A.C. Rule 69V-40.099; Florida Statutes Chapter 494.0066; Florida Statutes Chapter 494.00665; 494.00321; 494.0035; 494.0036

Net Worth

As part of the application process, lenders must submit a copy of their financial audit report for the most recent fiscal year. The financial audit report must document that they have a verifiable net worth of at least \$63,000 if the applicant is not seeking a servicing endorsement, or at least \$250,000 if the applicant is seeking a servicing endorsement. The licensee must always maintain their net worth.

A few other things to know about net worth requirements:

- If the lender fails to satisfy the requirement, they have 60 days to fix it.
- If the lender makes the OFR aware of the net worth shortage before it happens, the lender has 120 days to fix the shortfall.
- If the lender fails to remedy the situation within the timeframes, their license is in jeopardy.

Florida Statutes Chapter 494.00611; Florida Statutes Chapter 494.00721

Notifications

Both mortgage lenders and mortgage brokers have specific requirements for notifying the FL-OFR if an issue or change arises. For mortgage lenders, the following apply:

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- If there is a change to the licensee's application, they have 30 days after the change occurs. An example of a change would include a change in principal loan originator.
- If a control person has a run-in with the law, including an indictment, charge, conviction, or plea of guilty, or no contest to a felony or any administrative violation involving fraud, dishonesty, breach of trust, or any other act of moral turpitude, the licensee has 30 days to notify the FL-OFR.
- If the licensee files for bankruptcy, they have 30 days to notify.
- If they fail to meet the net worth requirement, they must notify within two days of knowledge.
- Every year, the licensee must file the Mortgage Call Report on time.

Florida Statutes Chapter 494.0067; 494.004; F.A.C. Rule 69V-40.099

Mortgage Lenders Acting as Mortgage Brokers

A lender can act as a mortgage broker in any transaction. However, if a mortgage lender acts as a mortgage broker in a transaction, they have to follow all the laws that apply to brokers, including collecting mortgage broker fees properly.

Florida Statutes Chapter 494.0073

Grounds for Denial

The FL-OFR will only issue a license if the applicant meets specific requirements. For example, it is grounds for denial for a control person to have a felony (pending or in the past) that involves fraud, dishonesty, breach of trust, money laundering, or any other act of moral turpitude.

It is also grounds for denial for the applicant to show financial irresponsibility. All lenders and brokers have to "demonstrate the character, general fitness, and financial responsibility necessary to command the confidence of the community and warrant a determination that the applicant will operate honestly, fairly and efficiently." Further, the FL-OFR can deny an application if the applicant or any of their control persons has had a license revoked in another state.

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A few important things to note:

- If the FL-OFR has information that could form a basis for license denial, they will reach out to the applicant before denying their license about the specific items of concern. This gives the applicant time to explain and provide additional information, if necessary.
- The FL-OFR cannot use low credit scores or no credit history to deny a license.

Florida Statutes Chapter 494.00611; 494.00321

Renewal

All mortgage broker and lender licenses (and their branches) must be renewed yearly by December 31st. If the licensee has submitted their license for renewal before or after December 31st, the license is active until the renewal is approved or denied.

Florida Statutes Chapter 494.0066; Florida Statutes Chapter 494.00665; 494.00321

Mortgage Guaranty Trust Fund

At initial licensure and every year at renewal, a fee is imposed on all licensees (including mortgage professionals). The fee is deposited into the Mortgage Guaranty Trust Fund for claims against licensees in FL. The fee for mortgage professionals is \$20; the fees for lenders and brokers is \$100.

This fee is used to pay out claims against licensees in specific situations where they have already gone through other channels for relief. A borrower cannot collect more than \$50,000 from the fund for any claim. Payments for claims are limited to \$250,000 per any one licensee. If the total claims exceed that amount, the FL-OFR prorates payment based on the ratio that a claim bears to the total claims filed.

Florida Statutes Chapter 494.00172

Mortgage Professional Licenses

All mortgage professionals must be licensed (unless they're registered). To apply for licensure as a mortgage professional, a few things apply:

- Applicants have to be 18 or older
- Applicants have to complete 20 hours of pre-licensing education

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- Applicants have to pass the National Test Component with Uniform State Test
- Applicants have to complete a license application form (The MU4)
- Applicants have to pay a fee
- Applicants have to submit fingerprints & authorize a credit report

The FL-OFR will not issue a license if the applicant has a felony involving fraud, dishonesty, breach of trust, money laundering, or any other act of moral turpitude. The mortgage professional must also demonstrate financial responsibility.

An applicant's credit score or lack of credit history cannot be used as a reason for denial. Before denying the application outright, the FL-OFR will reach out to the applicant with their concerns.

Within 30 days of a completed application, the FL-OFR will review each loan application and inform the applicant of any additional information required. If additional information is requested, it must be received by the FL-OFR within 45 days of the request. If the applicant fails to respond within that timeframe, the FL-OFR will deny the application.

If the information contained in a mortgage professional's application becomes outdated or inaccurate for any reason, the licensee has 15 days to file an amendment through the NMLS for the change. If the amendment deals with the six disclosure questions on the MU4 (about the financial history and criminal history), this is considered a material change to the application and is grounds for denial.

F.A.C. Rule 69V-40.0312; Florida Statutes Chapter 494.00312

Renewal

Mortgage professionals must renew their license by December 31st every year. In order to be eligible for renewal, the licensee must:

- Submit the renewal form
- Pay a fee
- Complete eight hours of continuing education (including one hour of state-specific education)
- Authorize a credit report and provide any other additional information required

The FL-OFR will not renew a license if the licensee fails to meet the licensure's minimum requirements (i.e., financial responsibility & criminal background). The state of FL does allow for reinstatement.

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Reinstatement allows renewal of a license after December 31st. The licensee must complete their reinstatement by March 1st, and the licensee must pay an additional fee. During this time, the licensee's license is in "failed to renew" status, and they cannot act as a mortgage professional until reinstatement is complete. If a mortgage professional fails to renew or reinstate their license, they have to re-apply for a new license.

F.A.C. Rule 69V-40.0312; Florida Statutes Chapter 494.00312; 494.00313

Employment & Loan Processors

Mortgage professionals are required to be employed, also known as sponsored by a licensed entity, to be eligible for licensure. mortgage professionals cannot work for more than one entity at a time. This rule does not apply to loan processors who are independent contractors. Loan processors are required to be licensed as mortgage professionals if they are independent contractors. Also, loan processors are required to file a declaration of intent with the FL-OFR.

Florida Statutes Chapter 494.00331; F.A.C. Rule 69V-40.0331

Law Enforcement Records

We have talked briefly about criminal history as it relates to obtaining and maintaining a license in the state of Florida. Florida provides additional guidance on their review process and what disqualifies an applicant for licensure if something appears on their criminal background check.

The FL-OFR reviews the application of every applicant and reads the answers to all disclosure questions. As part of that review, the FL-OFR might request additional information and documentation, including arrest reports, copies of charges, copies of pleas, judgments, and any other files related to the crime in question.

When reviewing these criminal history backgrounds, the FL-OFR makes general classifications. There are four classes: A, B, C, & D. These classes reflect the seriousness of the crime and other factors related to the threat to public welfare. These four classes also indicate the time frame in which a person can obtain a license if they have these crimes in their background. 'Trigger date' means the date the applicant was found guilty, pled guilty, or no contest to the crime.

- Class A Crime: The applicant is not eligible for licensure.
 - Examples: Perjury, armed robbery, embezzlement, identity theft, extortion, tax evasion

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- Class B Crime: The applicant will not be granted a license until 15 years have passed since the trigger date.
 - Examples: Murder, arson, rape, kidnapping
- Class C Crime: The applicant will not be granted a license until seven years have passed since the trigger date.
 - Example: All other felonies not in A or B
- Class D Crime: The applicant will not be granted a license until five years have passed since the trigger date.
 - Example: Any misdemeanor that involves fraud, dishonesty, or any other act of moral turpitude

There are circumstances where an applicant might have multiple crimes on their criminal background. This will mean a more extended waiting period. There is an additional five years to a disqualifying period per additional crime.

Specific to a disqualifying period for a Class B crime, mitigating factors can shorten the disqualifying period. The maximum it can be decreased is three years. Examples of mitigating factors include if the applicant was under 21 years old at the time of the crime. Another example would be if the applicant has a letter from their probation officer or prosecuting attorney who certifies they are not a threat to the community's welfare, including proof of restitution or settlement.

F.A.C. Rule 69V-40.00112

Adverse Credit History Information

We have talked briefly about financial responsibility as it relates to licensing in Florida. Adverse Credit History will affect whether an individual or entity can obtain a license in Florida. Adverse credit history information includes:

- Personal bankruptcy within the previous year
- Bankruptcy within the previous year of any organization while the individual was a control person
- Outstanding tax liens or government liens
- Outstanding judgments based upon fraud, embezzlement, misrepresentation, or deceit
- Open collection accounts or charged-off accounts that remain unpaid, except ones related to medical expenses
- Foreclosure on personally owned property within the last five years

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Suppose an applicant has an adverse credit history on their credit report. In that case, the FL-OFR will give the applicant the ability to explain the circumstances surrounding the issue and provide additional documentation for the FL-OFR to consider. They might ask for copies of satisfied judgments or tax liens, copies of account records, or tax returns.

When the FL-OFR decides to grant or deny a license application because of adverse credit history, they will take into consideration a lot of different factors, including:

- The entirety of the applicant's credit report and history
- The information provided by the applicant
- The responses contained in the application
- The previous licensing history with the FL-OFR
- Other information that reflects on the applicant's character
- Any additional context available or pattern of behavior

The determination cannot be made solely because the applicant filed for bankruptcy. The FL-OFR will only decide based on the totality of the circumstances.

F.A.C. Rule 69V-40.0113

Books, Accounts, & Records

All licensees are required to maintain specific books, accounts, and records. The FL-OFR uses these books, accounts, and records during examinations and investigations to prove compliance with state and federal law. Licensees must maintain these records somewhere other than their principal place of business and are required to be made available to the FL-OFR within three business days of the request. If the licensee moves those records, they must notify the FL-OFR of the move 30 days before its occurrence.

All books, accounts, & records must be kept for three years.

Florida Statutes Chapter 494.0016; F.A.C. Rule 69V-40.170

Mortgage Broker Files

Each mortgage broker is required to keep a file for each mortgage broker transaction. Every file must contain:

- A copy of the signed closing statement or documentation of denial or cancellation of the mortgage loan application

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- A copy of the good faith estimate of costs

If the mortgage broker issues the client a written commitment for the loan on behalf of the lender, the following must be maintained in the file:

- A copy of the written commitment issued by the mortgage broker
- A copy of the written commitment provided by the lender

If the mortgage broker issues the client a written lock-in for the loan on behalf of the lender, the following must be maintained in the file:

- A copy of the written lock-in issued by the mortgage broker
- A copy of the written lock-in provided by the lender

F.A.C. Rule 69V-40.175

Mortgage Lender Files

Each mortgage lender must also maintain a file for each mortgage loan application received. The requirements differ from the mortgage broker's file. Each file must include:

- Copy of the Loan Estimate
- Original mortgage loan application, or copy
- Copy of the closing statement or documentation demonstrating that the mortgage loan application was canceled or denied
- Copy of any written lock-in agreement
- Copy of any written commitment
- Copy of written disclosures of any conflict of interest

Each mortgage lender must maintain supporting documentation of all expenses or fees paid by the mortgage lender.

F.A.C. Rule 69V-40.260

Chapter 1 Review

We talked about many things in this chapter, like licensing and operations of mortgage professionals, brokers, and lenders, net worth requirements, and recordkeeping requirements. Let's do a quick review:

Who is in charge?

- The FL-OFR
- The Head of the OFR is the Commissioner
- They can make rules, complete examinations, & investigations
- Investigations are triggered by an event like a consumer complaint
- Examinations (audits) are routine reviews for compliance

Who must be licensed?

- Anyone except those that are exempt
- Examples:
 - Depositories & registered mortgage professionals
 - Attorneys who aren't compensated by licensees
 - Fannie & Freddie

What is required for lender & broker licenses?

- Application through the NMLS
- Control person review: Criminal & credit
- Branch offices have their own license
- Qualified Loan Originator
- Net Worth
- Required Notifications

What are grounds for denial of a lender/broker license?

- The criminal history of a control person
- Lack of financial responsibility

When do lenders/brokers renew?

- Yearly by 12/31

*2 Hour FL SAFE State Law Pre-Licensing Education***Chapter 1*****What is the Mortgage Guaranty Trust Fund?***

- Money paid at initial licensure and yearly at renewal
- Used to pay out claims against licensees for violations

What do you need to know about getting a mortgage professional license?

- Must be 18
- Must complete 20 hours of PE
- Must pass the National Test
- Must complete a license application (MU4)
- Must pay a fee
- Must submit fingerprints/credit report authorization

When do mortgage professionals renew?

- By 12/31
- Must complete eight hours of CE
- Reinstatement allowed by March 1st

What should you know about law enforcement records?

- Four Classes (A, B, C, D)
- The class determines how long the individual must wait to apply for licensure
- Mitigating circumstances can decrease the waiting time

What should you know about adverse credit history?

- Things that are adverse include:
 - Bankruptcy
 - Outstanding tax liens and judgments
 - Open collections and charge offs
 - Foreclosures

What should you know about books, accounts, and records?

- All records must be kept for three years

Chapter 2

Compliance & Disciplinary Action

Learning Objectives for Chapter 2

- ☐ Give examples of prohibited acts and practices
- ☐ Restate the penalties for violations
- ☐ Describe the requirements for loan commitments, lock-in agreements, and loan modifications
- ☐ Identify the requirements for the homestead exemption
- ☐ Relate the potential disciplinary actions the FL-OFR can take

Prohibited Practices

Just like in any profession, there are things that licensees cannot do. In Florida, it is prohibited for a licensee to:

- Act without a license (this is called unlicensed activity)
- Engage in any type of fraud
- Make any type of false statement or representation
- Violate any Florida law related to mortgage origination
- Pay a fee or a commission to an unlicensed entity
- Use the name or logo of another financial institution that leads borrowers to believe that they are that financial institution
- Knowingly alter, withhold, conceal, or destroy any books, accounts, or records

Florida Statutes Chapter 494.0025

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Prohibited Advertising

Along with generally prohibited practices, there are specific prohibitions related to advertising. Florida prohibits licensees from doing the following in their advertisements:

- Advertising that an applicant has unqualified access to credit without disclosing the possible material limitations, like percentage of down payment, the loan having a higher rate, or requiring points or restrictions on the maximum principal amount of the loan
- Advertising a mortgage loan at a specific interest rate unless the advertisement states explicitly that the rate could change or not be available at commitment or closing
- Advertising a mortgage loan unless the licensee can actually make that specific loan to a reasonable number of qualified applicants
- Falsely advertising or misusing names that indicate a federal agency
- Engaging in unfair, deceptive, or misleading advertising

All advertising must be kept for two years from the date of publication or broadcast.

Florida Statutes Chapter 494.00165

Equity Skimming

Another prohibited act relates explicitly to the term "equity skimming." Equity skimming occurs when a person purchases (within three years) two or more residential properties that have a loan in default at the time of purchase or within one year after purchase and then fail to make the payments but use the rent accrued from the home for their own purposes. Equity Skimming is considered a felony in the third degree.

Florida Statutes Chapter 697.08

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Chapter 2

Misleading Practice, Penalty

The taking and recording of a mortgage is tantamount to a commitment. When funds are not available for immediate disbursement to the borrower, it is considered a misleading and deceptive practice and warrants the suspension or revocation of the license, unless, before such recording, the licensee informs the borrower, in writing, of a definite date by which payment will be made, and secures the borrower's written permission for the delay thus entailed.

F.A.C. Rule 69V-40.011

Fees & Charges

During a mortgage transaction, a lot of money can go back and forth, including fees for the licensee's services, often called a loan origination fee. The state of Florida limits the total loan origination fee that can be charged on a transaction. The maximum fees that can be charged for mortgage loans are as follows:

- On a mortgage loan of \$1,000 or less: \$250
- On a mortgage loan between \$1,000 and \$2,000: \$250 for the first \$1,000 of the mortgage loan, plus \$10 for each additional \$100 of the mortgage loan
- On a mortgage loan between \$2,000 and \$5,000: \$350 for the first \$2,000 of the mortgage loan, plus \$10 for each additional \$100 of the mortgage loan
- On a mortgage loan exceeding \$5,000: \$250 plus 10 percent of the entire mortgage loan

Some licensees break up that fee to cover multiple types of services. Florida considers many things to be part of that loan origination fee, such as arranging the loan, taking the application, preparing all paperwork, reviewing and analyzing the borrower's finances, and any incidental services included in the loan origination fee. As part of this, the licensee must provide a good faith estimate of costs and services that could be incurred during the transaction. Things that are not considered part of a loan origination fee include appraisal and survey fees, inspection fees, loan assumption fees, pest inspection fees, credit report fees, fees for homeowners and flood insurance, and charges for title and recording of the mortgage.

The loan origination fee does not include prepaid finance charges of the lender under the Federal Truth in Lending Act (TILA) disclosed on a Loan Estimate provided to the borrower.

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Chapter 2

No person should charge or exact, directly or indirectly, from the mortgagor or lender, a fee or commission over the maximum fees or commissions as set forth herein. All fees paid to or on behalf of the licensee, including bonus plans, advertisement allowances, incentive plans, kick-backs, and more, must be included in determining the maximum loan origination fees.

All loan origination fees to other mortgage brokers disbursed from the loan proceeds shown on the closing statement must reflect each mortgage broker's name or co-brokering mortgage broker paid.

Specific to mortgage brokers, if they collect any third-party fees or application fees, they must record that information on a specific disclosure called Form OFR 494-09: The Mortgage Deposit Account Form. They must also, immediately upon receipt, place those funds in a segregated account.

F.A.C. Rule 69V-40.008; FAC 494.0042; F.A.C. Rule 69V-40.156; Florida Statutes 494.0038; 494.0042

Commitment Process

Florida has specific rules for loan commitments, but what is a loan commitment? **Loan commitment, or commitment,** means a lender's statement that lays out the terms and conditions upon which the lender is willing to make a mortgage loan to a particular borrower. Suppose a mortgage lender does issue a commitment. In that case, that commitment must include the expiration of the commitment and time in which the borrower has to accept the commitment, the mortgage amount they are willing to lend, and the other terms of the transactions, like the interest rate.

The commitment cannot be changed before the borrower accepts it. If, for some reason, the lender does not know all the terms at the time of the commitment, they have to use the best information they have available to them at the time and state that the disclosure is an estimate.

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Sometimes the lender will charge a commitment fee. In some situations, the commitment fee is refundable. It is refundable if:

- The commitment is contingent upon approval by parties to whom the mortgage lender seeks to sell the loan
- The loan purchaser's requirements are not met due to circumstances beyond the borrower's control
- The borrower is willing but unable to comply with the loan purchaser's requirements

Florida Statutes Chapter 494.007

Lock-in Agreements

Florida has specific requirements for lock-in agreements. A lock-in agreement is an agreement between the borrower and licensee to lock the borrower's interest rate before closing the loan. Per Florida law, the licensee is required to make a good faith effort to process the mortgage application and fulfill the terms of the agreement before the expiration of the lock-in agreement. If the loan does not close before the expiration of the lock-in agreement and it's not the borrower's fault, the borrower can withdraw the application, and the lender is required to refund any fee paid for the lock promptly. Further, the borrower can rescind a lock-in agreement until a written confirmation (commitment) has been signed by the lender. If the borrower rescinds the lock-in agreement, the lender must promptly refund any fee charged.

Specifically, the lock-in agreement must include specific information, like the expiration date, the interest rate, the discount points, the amount of the lock-in fee, and a statement advising the borrower of the provisions of Florida law related to the lock-in agreement (i.e., the things discussed in this section). The lender must also sign the lock-in agreement.

F.A.C. Rule 69V-40.155; Florida Statutes 494.0069

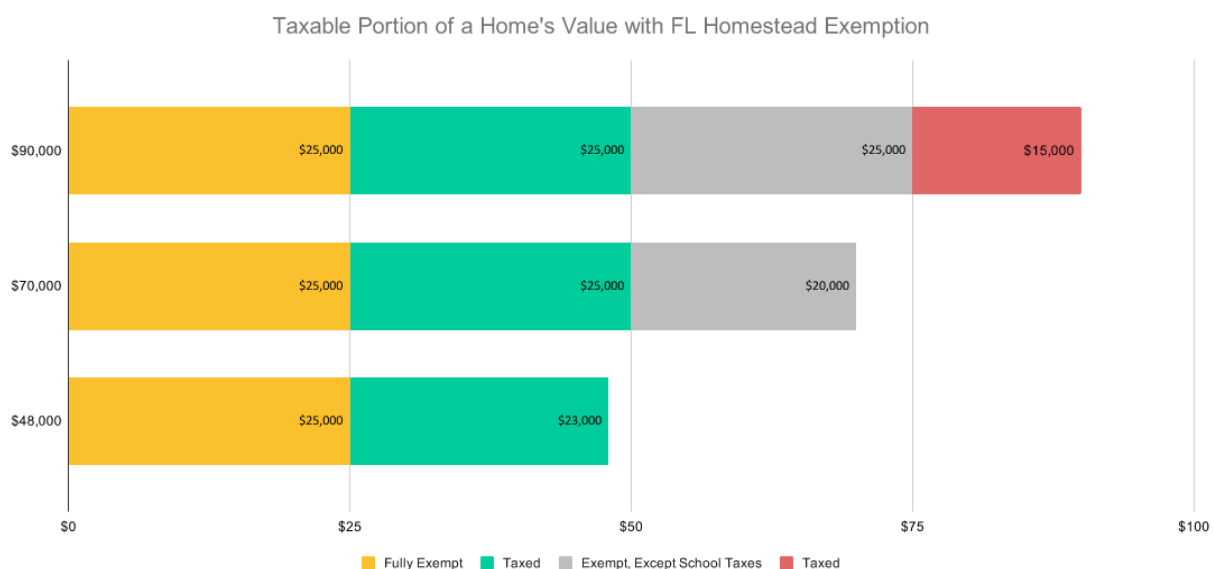
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Chapter 2

Homestead Exemptions

In the state of Florida, some homeowners are entitled to a homestead exemption. A homestead exemption is a break in Florida homeowner's property taxes. To be eligible, the borrower has to own the home on January 1st, and it has to be their permanent residence. Here are the amounts:

- For the first \$50,000 in the borrower's home's assessed value, up to \$25,000 in value is exempt from taxes.
- The borrower is required to pay the full value between \$25,000 and \$50,000.
- If the borrower's home is assessed between \$50,000 and \$75,000, an additional \$25,000 is eligible for exemption (this does not apply to school district taxes).
- For a value above \$75,000, the borrower pays the full taxes.

For example, if a borrower's home is assessed at \$48,000, the first \$25,000 in assessed value is exempt from property taxes, but the remaining \$23,000 would be taxed normally. If a borrower's home is assessed at \$70,000, the first \$25,000 would be exempt from all property taxes, the next \$25,000 would be taxed normally, and the remaining \$20,000 would be exempt from everything but school district taxes. For a \$90,000 home, the first \$25,000 would be exempt from taxes, the next \$25,000 would be fully taxed, the following \$25,000 would be exempt (except for school district taxes), and the final \$15,000 would be fully taxed.



Due to the prevalence of hurricanes in Florida, the homestead exemption also applies if a home is damaged or destroyed.

Chapter 2

Suppose a property is uninhabitable on January 1st after the damage or destruction occurs. In that case, the homestead exemption can still be granted, as long as the borrower notifies the property appraiser and tells them they intend to repair or rebuild and live in the property as their primary residence. If the borrower fails to repair or rebuild within three years, it is considered abandoned, as the homestead and is no longer eligible for the homestead exemption.

Florida Statutes Chapter 196.031; Florida Constitution Article VII: Section 6

Disposition of Insurance Proceeds

As mentioned in the previous section, Florida has hurricanes, and when a hurricane hits and destroys or damages a home, an insurance claim is often made. Florida has specific requirements for how insurance proceeds are to be disposed of if there is a mortgage on the home. The lender (mortgagee) who owns the loan is required to quickly endorse a check that is made payable to them and the borrower. Insurance proceeds that are received by the lender that relate to compensation for damage to property or contents are required to deposit those funds into a segregated account in a federally insured depository immediately. If the insurance proceeds cover contents not included in the lender's security interest (like the borrower's possessions) or proceeds for additional living expenses, they must promptly distribute those funds to the borrower.

Florida Statutes Chapter 494.0026

More on Insurance

The state of Florida has recently amended the state statutes in regard to insurance. Florida statutes that were updated effective February 19, 2020 include:

- 690-124.001 Definitions (Repealed)
- 690-124.002 Rights of Borrower (Repealed)
- 690-124.010 Substitution of Policies (Repealed)
- 690-124.011 Renewals; Selection and Approval (Repealed)
- 690-124.013 Statement of Anti-coercion; Form (Repealed)
- 690-124.014 Continuous or Prepaid Policies (Repealed)
- 690-124.015 Lender, Insurance Information (Repealed)
- 690-124.016 Title Insurance (Repealed)
- 690-124.021 Purpose (Repealed)
- 690-124.022 Scope (Repealed)

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During the updating process, the Office of Insurance Regulations provided a summary statement in regard to the proposed changes.

***SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND
LEGISLATIVE RATIFICATION:***

The Agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has not been prepared by the Agency.

The Agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: Agency personnel familiar with the subject matter of the rule amendment have performed an economic analysis of the rule amendment that shows that the rule amendment is unlikely to have an adverse impact on the State economy in excess of the criteria established in Section 120.541(2)(a), Florida Statutes.

 [Florida Statute 690-124.001-690-124.022](#)

Redemption and Sale

Florida allows for the right of redemption. The right of redemption is the borrower's right to reclaim the property if their home is foreclosed on, if they can come up with the money to repay the amount due.

Florida Statutes Chapter 713.26

Balloon Mortgages

Florida law outlines requirements for balloon mortgages. A balloon mortgage is a loan with a final payment that is more than twice the regular monthly payment amount. These types of loans require a specific statement to be provided to the borrower on the first page or fact sheet of the mortgage and must appear immediately above the borrower's signature.

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That statement reads:

THIS IS A BALLOON MORTGAGE AND THE FINAL PRINCIPAL PAYMENT OR THE PRINCIPAL BALANCE DUE UPON MATURITY IS \$, TOGETHER WITH ACCRUED INTEREST, IF ANY, AND ALL ADVANCEMENTS MADE BY THE MORTGAGEE UNDER THE TERMS OF THIS MORTGAGE.

If the balloon mortgage has a variable rate, there are additional requirements under Florida law. The form above must be filled out with the principal balance calculated on the assumption that the initial interest rate will apply for the entire term of the loan. The statement above must also include:

THIS IS A BALLOON MORTGAGE SECURING A VARIABLE (adjustable; renegotiable) RATE OBLIGATION. ASSUMING THAT THE INITIAL RATE OF INTEREST WERE TO APPLY FOR THE ENTIRE TERM OF THE MORTGAGE, THE FINAL PRINCIPAL PAYMENT OR THE PRINCIPAL BALANCE DUE UPON MATURITY WOULD BE APPROXIMATELY \$, TOGETHER WITH ACCRUED INTEREST, IF ANY, AND ALL ADVANCEMENTS MADE BY THE MORTGAGEE UNDER THE TERMS OF THIS MORTGAGE. THE ACTUAL BALANCE DUE UPON MATURITY MAY VARY DEPENDING ON CHANGES IN THE RATE OF INTEREST.

If the lender fails to provide this information, the loan's maturity date is extended, allowing the borrower to continue to make monthly payments until the mortgage is paid in full. The loan goes from a balloon mortgage to a fully amortizing loan.

Florida Statutes Chapter 697.05

Pre-payment of Note

If a loan's promissory note does not include anything about the borrower's right to repay the loan in advance, the borrower must be allowed to repay their loan in full without a pre-payment penalty.

Florida Statutes Chapter 697.06

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Acknowledgment and Proof

Before a mortgage can be recorded, a third party must witness the signing of the document. The witness is usually a notary. At the time of signature, the notary is required to affix their official seal to the form.

Florida Statutes Chapter 695.03

Loan Modification

Loan modifications often happen when a borrower gets into a tricky financial situation and is looking for relief. Florida has specific laws in place to protect those vulnerable borrowers from being taken advantage of. A few things that are prohibited related to loan modifications include:

- Starting a loan modification without first executing a written agreement with the borrower
- Executing a loan modification without the consent of the borrower after the borrower is made aware of the modified terms
- Soliciting, charging, or receiving payment before completing the loan modification services. A fee can only be collected after the loan modification and only if the services result in a benefit to the borrower

Like many things in the mortgage industry, loan modifications require an agreement between parties. Both parties must sign this agreement and include the name and address of the person providing the loan modification services. This agreement must also include the exact nature and specific details of the services being provided and the total amount and terms of any charges paid by the borrower.

The date of any agreement cannot be earlier than the date the borrower signed the agreement, and the licensee must give the borrower a copy of the agreement within one business day of signing. The borrower has the right to cancel the agreement within three business days of signing the agreement. If the borrower cancels the agreement, any payments made must be returned to the borrower within ten business days after receiving the cancellation notice.

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An agreement for loan modification services must contain, immediately above the signature line, the following statement:

BORROWER'S RIGHT OF CANCELLATION

YOU MAY CANCEL THIS AGREEMENT FOR LOAN MODIFICATION SERVICES WITHOUT ANY PENALTY OR OBLIGATION WITHIN 3 BUSINESS DAYS AFTER THE DATE THIS AGREEMENT IS SIGNED BY YOU.

THE LOAN ORIGINATOR, MORTGAGE BROKER, OR MORTGAGE LENDER IS PROHIBITED BY LAW FROM ACCEPTING ANY MONEY, PROPERTY, OR OTHER FORM OF PAYMENT FROM YOU UNTIL ALL PROMISED SERVICES HAVE BEEN COMPLETED. IF FOR ANY REASON YOU HAVE PAID THE CONSULTANT BEFORE CANCELLATION, YOUR PAYMENT MUST BE RETURNED TO YOU WITHIN 10 BUSINESS DAYS AFTER THE CONSULTANT RECEIVES YOUR CANCELLATION NOTICE.

TO CANCEL THIS AGREEMENT, A SIGNED AND DATED COPY OF A STATEMENT THAT YOU ARE CANCELING THE AGREEMENT SHOULD BE MAILED (POSTMARKED) OR DELIVERED TO (NAME) AT (ADDRESS) NO LATER THAN MIDNIGHT OF (DATE).

IMPORTANT: IT IS RECOMMENDED THAT YOU CONTACT YOUR MORTGAGE LENDER OR MORTGAGE SERVICER BEFORE SIGNING THIS AGREEMENT. YOUR LENDER OR SERVICER MAY BE WILLING TO NEGOTIATE A PAYMENT PLAN OR A RESTRUCTURING WITH YOU FREE OF CHARGE.

If a licensee violates the law related to loan modification agreements, they are liable for actual damages, plus attorney's fees and court costs.

Florida Statutes Chapter 494.00296

The Florida Court System

Article V of the Florida Constitution deals with how the court system is set up in the state of Florida. The power of the courts is to determine whether someone has violated the law. The highest court in Florida is the State Supreme Court. There are also district courts and circuit courts in the state of Florida.

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Each court has its own policies and procedures and takes on specific types of cases. As we move on to talk about disciplinary action, these courts can come into play because a licensee can appeal decisions by the FL-OFR to these courts in certain circumstances.

Florida Constitution Article V

Administrative Penalties and Fines; License Violations

There are specific actions that a licensee can take that would cause the FL-OFR to take disciplinary action against the licensees. Those actions include:

- Failing to put fees in the proper segregated accounts
- Failing to deliver property that does not belong to the licensee (i.e., things like appraisals, credit reports, and fees)
- Failing to disburse funds appropriately (i.e., pay the appraisal or at closing disburse the fees properly)
- Conducting fraud, misrepresentation, deceit, negligence, or incompetence in a transaction
- Requiring a specific valuation from an appraiser, or implying that a specific valuation is needed, or conditioning the order for an appraisal for a specific valuation
- Consistently and materially underestimating maximum closing costs
- Doing an action that causes a disbursement from the Mortgage Guaranty Trust Fund
- Being convicted of or entering a plea of guilty or no contest to any felony or any crime involving fraud, dishonesty, breach of trust, money laundering, or act of moral turpitude
- Having a final judgment entered in a civil action for fraud, embezzlement, misrepresentation, or deceit
- Having been the subject of any type of decision, finding, injunction, suspension, prohibition, revocation, denial, judgment in any court, or in any state or by a federal agency
- Violating federal law
- Having a similar license (or any other type of license) revoked in another state
- Unlicensed activity, including operating a branch without a license
- Conducting business without a principal loan originator
- Materially misstating or omitting facts on an initial or renewal application

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- Failing to comply with any Florida law or rule
- Failing to maintain and preserve the proper records
- Refusing to permit an examination or investigation
- Failing to pay any fees or charge on time
- Being found in violation of the NMLS Rules of Conduct (which can be found in the syllabus for this course)

If a violation is found, the FL-OFR can take specific actions, including:

- Issuing a reprimand
- Suspending a license (subject to reinstatement), which can be done immediately if there is a belief that the licensee poses an immediate threat to the public
- Revoking a license
- Denying a license (at application or renewal)
- Imposing a fine (maximum fine is \$25,000 per action)
- Imposing an administrative fee (up to \$1,000 per day, but not exceeding \$25,000) for each day that the licensee has an unlicensed branch or an unlicensed mortgage professional

Control persons are responsible for and can be subject to disciplinary action on behalf of the lender or broker, their loan originators, and their in-house processing staff.

All licensees must be aware of the Disciplinary Guidelines for Mortgage Loan Originators and Mortgage Entities (Form OFR 494-14) available on the FL-OFR's website:

www.flrules.org/Gateway/reference.asp?No=Ref-06055,

Per this specific rule:

- Depending on the severity and repetition of specific violations, the Office may impose an administrative fine, suspension of a person, or revocation of a person or any combination of punishments.
- The Office can impose a cease and desist order, a suspension, or both in conjunction with and in addition to any of the designated sanctions.
- The Office will consider the person's disciplinary history for the past five years in determining an appropriate penalty. It may impose a more severe penalty when the disciplinary history includes past violations.

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When determining the appropriate penalty for a violation, the FL-OFR will consider whether mitigating circumstances exist. Examples of mitigating circumstances:

- If the violation rate is less than 5% when compared to the overall sample size reviewed
- No prior administrative actions by the Office against the licensee or control person within the past ten years
- If the licensee detected and voluntarily instituted corrective responses or measures to avoid the recurrence of a violation before detection and intervention by the Office
- If the violation is attributable to a single control person or employee, and if the licensee removed or otherwise disciplined the individual before detection or intervention by the Office
- If the licensee is responsive to the Office's requests or inquiries or did not attempt to impede or delay the Office in its examination or investigation of the underlying misconduct
- Other control, case-specific circumstances

The FL-OFR will also consider aggravating factors (things that might make them consider a heftier penalty). Aggravating factors include:

- If the violation rate is more than 95% when compared to the overall sample size reviewed (sample size must be equal to or greater than 25 transactions and cover a date range of at least six months)
- The potential for harm to the customers or the public is significant
- Prior administrative action by the Office against the licensee or an affiliated party of the licensee within the past five years
- If the licensee's violation was the result of willful misconduct or recklessness
- The licensee attempted to conceal the violation or mislead or deceive the Office
- Other control relevant, case-specific circumstances

The ranges for administrative fines imposed by this rule are \$1,000 to \$3,500 for an "A" level fine; \$3,500 to \$7,500 for a "B" level fine; and \$7,500 to \$10,000 for a "C" level fine. The ranges for suspensions imposed by this rule are 3 to 10 days for an "A" level suspension; 10 to 20 days for a "B" level suspension; 20 to 30 days for a "C" level suspension; and up to 90 days for a "D" level suspension. A "D" level suspension may be terminated early if the licensee cures the violation. The FL-OFR also has the power to issue cease and desist orders and require the licensee to take corrective action.

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As part of an investigation of a violation, the FL-OFR can issue subpoenas to require the production of documents or witnesses to the violation. Noncompliance with a subpoena can come with its own penalties.

We've mostly talked about monetary and administrative penalties, but there can also be criminal penalties, depending upon the violation. Acting with a license (or unlicensed activity) is a third-degree felony in Florida. Further, if a licensee commits a violation where the total value of money or property unlawfully obtained exceeds \$50,000, and there are five or more victims, they would be considered to have committed a first-degree felony.

Florida Statutes Chapter 494.00255; F.A.C. Rule 69V-40.111; Florida Statutes Chapter 494.0014; Florida Statutes Chapter 494.0018; Florida Statutes Chapter 494.00135; Chapter 120.60

White-Collar Crime Victim Protection Act

There is a law called the White-Collar Crime Victim Protection Act in Florida. This law was put into place to prosecute and punish white-collar criminals, specifically when the victims are elderly. A crime is considered a white-collar crime if it deals with a conspiracy to commit theft, robbery, computer-related crimes, fraud, abuse, neglect and exploitation of elderly or disabled adults, forgery, counterfeiting, and many more.

There are also additional penalties for "aggravated white-collar crimes," which means engaging in at least two white-collar crimes that have the same or similar intents, results, accomplices, victims, or methods of commission, or that are otherwise interrelated by distinguishing characteristics and are not isolated incidents. It is considered an aggravated white-collar crime when the individual victimizes ten or more elderly people, 20 or more persons, or the state of FL. Aggravated white-collar crime is a first-degree felony. In addition to a sentence otherwise authorized by law, a person convicted of an aggravated white-collar crime may pay a fine of \$500,000 or double the value of the pecuniary gain or loss, whichever is greater.

Florida Statutes Chapter 775.0844

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Chapter 2 Review

We talked about many things in this chapter, like prohibited acts, fees and charges, and disciplinary action. Let's do a quick review:

What are Prohibited Practices?

- Fraud
- Unlicensed Activity
- Prohibited Advertising
 - Two years recordkeeping
- Equity Skimming
- Misleading Practices

What are the requirements for fees & charges?

- Maximum Origination Fee

What is the commitment process?

- What is a commitment?
- Requirements for issuing a commitment
- Charging commitment fees

What are Lock-in Agreements?

- What is a lock-in agreement?
- Requirements for issuing a lock-in
- Charging for a lock-in

How do Homestead Exemptions work?

- Who is eligible?
- How much is taxed or not taxed
- Damage or destruction of a property

What about insurance?

- Disposition of insurance proceeds
- Borrower's rights to pick their homeowner's insurance company
- Anti-Coercion form

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What is the Redemption of Sale?

- Right to it under FL law

What Are Balloon Mortgages?

- Specific requirements for them
- Disclosures required

What about prepayment?

- Requirements for charging prepayment penalties

Acknowledgment & Proof

- Notary required to witness before a mortgage is recorded

Loan modification

- Prohibited acts related to loan modifications
- Requirements for entering into a loan modification agreement
- Periods for canceling and refunding

The Florida Court System

- Understanding the basic hierarchy of the FL Court System

Administrative Penalties & Fines

- Actions that can lead to disciplinary action
- Types of disciplinary action
- Mitigating & Aggravating circumstances
- Range of administrative fines & suspension times
- White-Collar Crime
 - What is it?
 - Penalties for it

Course Glossary

In this glossary, students will find the definitions that correlate with the content in this course. It is important that students spend some time getting familiar with the definitions as part of their pre-licensing education experience.

Florida Statutes Chapter 673.1031: Definitions

In this chapter, the term:

Acceptor means a drawee who has accepted a draft.

Drawee means a person ordered in a draft to make payment.

Drawer means a person who signs or is identified in a draft as a person ordering payment.

Good faith means honesty in fact and the observance of reasonable commercial standards of fair dealing.

Maker means a person who signs or is identified in a note as a person undertaking to pay.

Order means a written instruction to pay money signed by the person giving the instruction. The instruction may be addressed to any person, including the person giving the instruction, or to one or more persons jointly or in the alternative but not in succession. An authorization to pay is not an order unless the person authorized to pay is also instructed to pay.

Ordinary care, in the case of a person engaged in business, means observance of reasonable commercial standards, prevailing in the area in which the person is located, with respect to the business in which the person is engaged. In the case of a bank that takes an instrument for processing for collection or payment by automated means, reasonable commercial standards do not require the bank to examine the instrument if the failure to examine does not violate the bank's prescribed procedures and the bank's procedures do not vary unreasonably from general banking usage not disapproved by this chapter or chapter 674.

Party means a party to an instrument.

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Course Glossary

Promise means a written undertaking to pay money signed by the person undertaking to pay. An acknowledgment of an obligation by the obligor is not a promise unless the obligor also undertakes to pay the obligation.

Prove, with respect to a fact, means to meet the burden of establishing the fact (s. 671.201(8)).

Remitter means a person who purchases an instrument from its issuer if the instrument is payable to an identified person other than the purchaser.

Section 8: Florida Statutes Chapter 494.001

As used in this chapter, the term:

Borrower means a person obligated to repay a mortgage loan and includes, but is not limited to, a co-borrower or cosigner.

Branch manager means the licensed loan originator in charge of, and responsible for, the operation of the branch office of a mortgage broker or mortgage lender.

Branch office means a location, other than a mortgage broker's or mortgage lender's principal place of business:

- The address of which appears on business cards, stationery, or advertising used by the licensee in connection with business conducted under this chapter
- At which the licensee's name, advertising or promotional materials, or signage suggests that mortgage loans are originated, negotiated, funded, or serviced
- At which mortgage loans are originated, negotiated, funded, or serviced by a licensee

Commission means the Financial Services Commission.

Contract loan processor means an individual who is licensed under part II of this chapter as a loan originator, who is an independent contractor for a mortgage broker or mortgage lender, and who engages only in loan processing.

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Control person means an individual, partnership, corporation, trust, or other organization that possesses the power, directly or indirectly, to direct the management or policies of a company, whether through ownership of securities, by contract, or otherwise. The term includes, but is not limited to:

- A company's executive officers, including the president, chief executive officer, chief financial officer, chief operations officer, chief legal officer, chief compliance officer, director, and other individuals having similar status or functions.
- For a corporation, each shareholder that, directly or indirectly, owns 10 percent or more or that has the power to vote 10 percent or more of a class of voting securities unless the applicant is a publicly-traded company.
- For a partnership, all general partners and limited or special partners that have contributed 10 percent or more or that have the right to receive, upon dissolution, 10 percent or more of the partnership's capital.
- For a trust, each trustee.
- For a limited liability company, all elected managers and those members who have contributed 10 percent or more or who have the right to receive, upon dissolution, 10 percent or more of the partnership's capital.
- Principal loan originators.

Credit report means any written, oral, or other information obtained from a consumer reporting agency, as described in the federal Fair Credit Reporting Act, which bears on an individual's creditworthiness, credit standing, or credit capacity. A credit score alone, as calculated by the reporting agency, is not considered a credit report.

Credit score means a score, grade, or value that is derived by using data from a credit report in any type of model, method, or program, whether electronically, in an algorithm, in a computer software or program, or by any other process for the purpose of grading or ranking credit report data.

Depository institution has the same meaning as in s. (3)(c) of the Federal Deposit Insurance Act and includes any credit union.

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Financial audit report means a report prepared in connection with a financial audit that is conducted in accordance with generally accepted auditing standards prescribed by the American Institute of Certified Public Accountants by a certified public accountant licensed to do business in the United States, and which must include:

- Financial statements, including notes related to the financial statements and required supplementary information, prepared in conformity with United States generally accepted accounting principles.
- An expression of opinion regarding whether the financial statements are presented in conformity with United States generally accepted accounting principles, or an assertion to the effect that such an opinion cannot be expressed and the reasons.

In-house loan processor means an individual who is an employee of a mortgage broker or a mortgage lender who engages only in loan processing.

Indirect owner means, with respect to direct owners and other indirect owners in a multilayered organization:

- For an owner that is a corporation, each of its shareholders that beneficially owns, has the right to vote, or has the power to sell or direct the sale of 25 percent or more of voting security of the corporation.
- For an owner that is a partnership, each general partner and each limited or special partner that has the right to receive upon dissolution, or has contributed, 25 percent or more of the partnership's capital.
- For an owner that is a trust, the trust, and each trustee.
- For an owner that is a limited liability company:
 - Each member that has the right to receive upon dissolution, or that has contributed, 25 percent or more of the limited liability company's capital.
 - If managed by elected managers or appointed managers, each elected or appointed manager.
- For an indirect owner, each parent owner of 25 percent or more of its subsidiary.

Institutional investor means a depository institution, real estate investment trust, insurance company, real estate company, accredited investor as defined in 17 CFR ss. 230.501 et seq., mortgage broker or mortgage lender licensed under this chapter, or other business entity that invests in mortgage loans, including a secondary mortgage market institution including, without limitation, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association, conduits, investment bankers, and any subsidiary of such entities.

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Loan commitment or commitment means a statement by the lender setting forth the terms and conditions upon which the lender is willing to make a particular mortgage loan to a particular borrower.

Loan modification means a modification to an existing loan. The term does not include a refinancing transaction.

Loan origination fee means the total compensation from any source received by a mortgage broker acting as a loan originator.

Loan originator means an individual who, directly or indirectly, solicits or offers to solicit a mortgage loan, accepts or offers to accept an application for a mortgage loan, negotiates or offers to negotiate the terms or conditions of a new or existing mortgage loan on behalf of a borrower or lender, or negotiates or offers to negotiate the sale of an existing mortgage loan to a noninstitutional investor for compensation or gain. The term includes an individual who is required to be licensed as a loan originator under the SAFE Mortgage Licensing Act of 2008. The term does not include an employee of a mortgage broker or mortgage lender whose duties are limited to physically handling a completed application form or transmitting a completed application form to a lender on behalf of a prospective borrower.

Loan processing means:

- Receiving, collecting, distributing, and analyzing information common for the processing of a mortgage loan.
- Communicating with a consumer to obtain information necessary for the processing of a mortgage loan if such communication does not include offering or negotiating loan rates or terms, or counseling consumers about residential mortgage loan rates or terms.

Lock-in agreement means an agreement whereby the lender guarantees for a specified number of days or until a specified date the availability of a specified rate of interest or specified formula by which the rate of interest will be determined, or specific number of discount points will be given, if the loan is approved and closed within the stated period of time.

Making a mortgage loan means closing a mortgage loan in a person's name, advancing funds, offering to advance funds, or making a commitment to advance funds to an applicant for a mortgage loan.

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Material change means a change that would be important to a reasonable borrower in making a borrowing decision, and includes a change in the interest rate previously offered a borrower, a change in the type of loan offered to a borrower, or a change in fees to be charged to a borrower resulting in total fees greater than \$100.

Mortgage broker means a person conducting loan originator activities through one or more licensed loan originators employed by the mortgage broker or as independent contractors to the mortgage broker.

Mortgage lender means a person making a mortgage loan or servicing a mortgage loan for others, or, for compensation or gain, directly or indirectly, selling or offering to sell a mortgage loan to a noninstitutional investor.

Mortgage loan means any:

- Residential loan primarily for personal, family, or household use, which is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling, as defined in s. 103(v) of the federal Truth in Lending Act, or for the purchase of residential real estate upon which a dwelling is to be constructed.
- Loan on commercial real property if the borrower is an individual or the lender is a noninstitutional investor.
- Loan on improved real property consisting of five or more dwelling units if the borrower is an individual or the lender is a noninstitutional investor.

Mortgage loan application means the submission of a borrower's financial information in anticipation of a credit decision, which includes the borrower's name, the borrower's monthly income, the borrower's Social Security number to obtain a credit report, the property address, an estimate of the value of the property, the mortgage loan amount sought, and any other information deemed necessary by the loan originator. An application may be in writing or electronically submitted, including a written record of an oral application.

Net worth means total assets minus total liabilities, pursuant to United States generally accepted accounting principles.

Noninstitutional investor means an investor other than an institutional investor.

Office means the Office of Financial Regulation.

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Principal loan originator means the licensed loan originator in charge of, and responsible for, the operation of a mortgage lender or mortgage broker, including all of the activities of the mortgage lender's or mortgage broker's loan originators, in-house loan processors, and branch managers, whether employees or independent contractors.

Principal place of business means a mortgage broker's or mortgage lender's primary business office, the street address, or physical location that is designated on the application for licensure or any amendment to such application.

Registered loan originator means a loan originator who is employed by a depository institution, by a subsidiary that is owned and controlled by a depository institution and regulated by a federal banking agency, or by an institution regulated by the Farm Credit Administration, and who is registered with and maintains a unique identifier through the registry.

Registry means the Nationwide Mortgage Licensing System and Registry, which is the 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 loan originators.

Relative means any of the following, whether by the full or half blood or by adoption:

- A person's spouse, father, mother, children, brothers, and sisters
- The father, mother, brothers, and sisters of the person's spouse
- The spouses of the person's children, brothers, or sisters

Servicing endorsement means authorizing a mortgage lender to service a loan for more than four months.

Servicing a mortgage loan means to receive, cause to be received, or transferred for another, installment payments of principal, interest, or other payments pursuant to a mortgage loan.

Substantial fault of the borrower means that the borrower:

- Failed to provide information or documentation required by the lender or broker in a timely manner.
- Provided information, in the application or subsequently, which upon verification proved to be significantly inaccurate, causing the need for review or further investigation by the lender or broker.

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- Failed to produce by the date specified by the lender all documentation specified in the commitment or closing instructions as being required for closing.
- Failed to be ready, willing, or able to close the loan by the date specified by the lender or broker.

For purposes of this definition, a borrower is considered to have provided information or documentation in a timely manner if such information and documentation was received by the lender within seven days after the borrower received a request for same, and information is considered significantly inaccurate if the correct information materially affects the eligibility of the borrower for the loan for which application is made.

Ultimate equitable owner means an individual who, directly or indirectly, owns or controls an ownership interest in a corporation, a foreign corporation, an alien business organization, or any other form of business organization, regardless of whether the individual owns or controls such interest through one or more individuals 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.