

SUMMARY OF NC MORTGAGE LENDING LAW

“NC has taken another step in protecting consumers by setting high standards for the people who broker mortgage deals. This new law holds mortgage brokers accountable and gets rid of those who would cheat their customers.”

Roy Cooper
NC Attorney General

“This new law protects African-Americans and other minorities who have been targets of unscrupulous mortgage lenders and brokers.”

Skip Alston
NC NAACP

“Our Association applauds this new law, which ensures that those who provide mortgage loans in NC adhere to high standards.”

Jeremy M. Salemsen
NC Association of
Mortgage Professionals

“This law requires that those making mortgage loans to NC families are trained and supervised, and act in an ethical manner.”

Harold J. Brubaker
NC House

“This new law is a good step for NC. It gives us some much-needed tools to prevent or remedy certain bad mortgage lending practices.”

Hal Lingerfelt
NC Commissioner of
Banks

“This law will go a long way in protecting the home equity of NC seniors.”

Von Valletta
AARP-NC

“This is a really good law and long overdue. It will put real teeth in our ability to take action against predatory lenders who have taken advantage of many people.”

Mickey Michaux
NC House

On August 29, 2001, Governor Mike Easley signed into law the NC Mortgage Lending Act, Senate Bill 904. This law passed both houses with strong support. It sets new licensing requirements for mortgage bankers, mortgage brokers and mortgage loan officers. It is the second phase of predatory lending reform in NC, following the NC Predatory Lending Act passed in 1999, which regulates the terms of a predatory loan. Both laws will substantially protect the equity that NC homeowners have invested in their homes by further curbing abusive lending practices. This legislation was endorsed by all major financial trade associations in the state as well as the Coalition for Responsible Lending.

This law amends North Carolina law to:

- 1. Require all mortgage bankers, mortgage brokers and mortgage loan officers to be licensed by the state.** Licensing requirements include:
 - **Licensing fees and detailed application** including the applicant’s financial condition, credit history, qualifications, business history, and prior legal problems.
 - **Education and experience requirements** of 3 years of mortgage lending experience for mortgage bankers and brokers, a mortgage lending course for loan officers, up to 8 hours continuing education.
 - **“Bricks and mortar” requirement** stating that mortgage bankers and brokers must maintain a principal place of business in the state.
 - **Bond requirement** of \$150,000 for mortgage bankers and \$50,000 for mortgage brokers, or a net worth of \$250,000.
- 2. Impose duties on mortgage brokers** including to:
 - *Make reasonable efforts, with lenders with whom the broker regularly does business, to secure a loan that is reasonably advantageous to the borrower.* This provision should severely limit steering to more expensive loans and excessive broker kickbacks.
 - Safeguard and account for money handled for borrower.
 - Follow the reasonable and lawful instructions of the borrower.
 - Act with reasonable skill, care and diligence.
- 3. Outline prohibited acts that apply to mortgage bankers, brokers and loan officers, including:**
 - *No brokering a loan with a prepayment penalty for home loans of \$150,000 or less.*
 - *No brokering a loan in violation of the NC Predatory Lending Law.*
 - *No brokering a loan without a license (Class I felony).*
 - No misrepresenting or concealing facts, making false promises, or false advertising.
 - Not delivering money or documents, including not paying an appraiser in a timely manner.
 - No fraud, not acting in good faith, or unfair dealings.
- 4. Give broad enforcement powers to NC Commissioner of Banks to:**
 - Suspend, revoke, deny or refuse to issue or renew a license.
 - Impose a penalty of up to \$10,000 per violation, or up to \$25,000 for violations of cease and desist orders.
 - Conduct routine examinations of books and records, and extensive examinations in the case of complaints or investigations.

The law goes into effect on July 1, 2002.

For more details, call the Coalition for Responsible Lending at 919-956-4485 or visit our website at www.responsiblelending.org.