

**PROPOSED REGULATION OF THE  
COMMISSIONER OF MORTGAGE LENDING**

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

Authority: NRS 645E.300

**Section 1.** NAC 645E.030 is hereby amended to read as follows:

“Qualified employee” means *a natural person who is*:

1. A director, officer, member, partner, employee, manager or trustee of a partnership, corporation or limited-liability company designated by the partnership, corporation or limited-liability company pursuant to NAC 645E.310 to act on behalf of the partnership, corporation or limited-liability company; or

2. A person designated by a sole proprietorship who satisfies the requirements set forth in subsection 3 of NRS 645E.200 and NAC 645E.200~~[ ]~~ *and who is a Nevada resident or a border employee as defined in NRS 482.012; and*

**Sec. 2.** NAC 645E.200 is hereby amended to read as follows:

An applicant for a license as a mortgage banker must ~~[have]~~:

1. ~~[A ]~~ *Have at* least 2 years of verifiable experience in lending money for real estate or mortgages *within the immediately preceding 5 years*; and

2. ~~[A ]~~ *Have* knowledge of generally accepted accounting practices and bookkeeping procedures evidenced by verifiable experience in working in these areas or appropriate educational training.

3. *Not have been convicted or completed probation for any felony within the preceding 7 years.*

**Sec. 3.** NAC 645E.210 is hereby amended to read as follows:

**Documentation required with application for license; *documentation required before issuance of license*; compliance with requirements of letter of conditional approval.** (NRS 645E.200, 645E.300)

1. An applicant must submit with his application for a license pursuant to chapter 645E of NRS:

(a) A copy of his business license, when applicable, or his application for such a license if he has not obtained one.

(b) A copy of the certificate filed by the mortgage banker pursuant to chapter 602 of NRS indicating the fictitious name of the mortgage banker, if any.

(c) If the applicant is a corporation, a copy of:

(1) Its articles of incorporation and its bylaws;

(2) Its balance sheet and a statement of the profit and loss of the corporation for the 2 years immediately preceding the year of the application; and

(3) The most recent list of its officers and resident agents that is filed with the Secretary of State.

(d) If the applicant is a partnership or joint venture, a copy of the agreement of partnership or joint venture and the financial statements of the partners for the 2 years immediately preceding the year of the application.

(e) If the applicant is a corporation being organized, a copy of its proposed articles of incorporation and its bylaws.

(f) If the applicant is a limited-liability company, a copy of:

(1) Its articles of organization and operating agreement;

(2) A statement of the profit and loss of the limited-liability company for the 2 years immediately preceding the year of the application; and

(3) The most recent list of its members or managers, and resident agents, that is filed with the Secretary of State.

(g) A copy of the lease of the applicant or other document that includes the address of the place of business of the applicant.

(h) Documentation from the appropriate municipal or county authority which indicates that local ordinances allow permanent business signs to be maintained at the place of business of the applicant.

2. If an applicant has received a letter of conditional approval of his application from the Division which imposes additional requirements that the applicant must satisfy to obtain a license, the applicant must comply with those requirements within 30 days after the date on which the letter was issued by the Division. If the applicant does not satisfy all additional requirements set forth in the letter within the period prescribed in this subsection, the conditional approval of the application will be deemed to have expired and the applicant must reapply to obtain a license. The Commissioner may, for good cause, extend the 30-day period prescribed in this subsection.

***3. An application is deemed abandoned if:***

***(a) An applicant fails to respond to any written request for information by the Division within 30 days of such request; or***

***(b) A mortgage banker license is not issued within 180 days of the Division's receipt of a completed application.***

**Sec. 4.** NAC 645E.220 is hereby amended to read as follows:

1. An applicant must submit with his application for a license for a branch office the name, residence address and telephone number of a qualified employee designated to manage the branch office.

2. The Commissioner will approve an application for a license for a branch office if:

(a) The principal office of the mortgage company has been examined by the Commissioner and has received at least a satisfactory rating during the preceding 12 months.

(b) The Commissioner approves the qualified employee designated to manage the branch office. The Commissioner will not approve a qualified employee to manage a branch office if the qualified employee manages or has been designated and approved to manage another office.

(c) The applicant provides documentation from the appropriate municipal or county authority which indicates that local ordinances allow permanent business signs to be maintained at the branch office.

3. The Commissioner may waive the requirements of subsection 2 upon good cause shown.

4. A license for a branch office may be issued only in the name in which the mortgage banker is licensed to conduct business at its principal office.

5. Each branch office must conspicuously display its license at the branch office.

6. A mortgage banker is responsible for and shall supervise:

(a) Each branch office of the mortgage banker; and

(b) Each qualified employee authorized to conduct mortgage lending activity at a branch office of the mortgage banker.

*7. If an applicant has received a letter of conditional approval of his application for a branch office from the Division which imposes additional requirements that the applicant must satisfy to obtain a license, the applicant must comply with those requirements within 30 days after the date on which the letter was issued by the Division. If the applicant does not satisfy all additional requirements set forth in the letter within the period prescribed in this subsection, the conditional approval of the application will be deemed to have expired and the applicant must reapply to obtain a license. The Commissioner may, for good cause, extend the 30-day period prescribed in this subsection.*

*8. An application is deemed abandoned if:*

*(a) An applicant fails to respond to any written request for information by the Division within 30 days of such request; or*

*(b) A mortgage banker license is not issued within 180 days of the Division's receipt of a completed application.*

**Sec. 5.** NAC 645E.285 is hereby amended to read as follows:

A mortgage banker shall not represent an activity which is not licensed pursuant to chapter 645E of NRS as being licensed pursuant to that chapter.

2. Except as otherwise provided in subsection 3, an advertisement for an activity which is licensed pursuant to chapter 645E of NRS must be separate and distinct from an advertisement for an activity which is not licensed pursuant to that chapter.

3. A mortgage banker may advertise jointly with a company licensed pursuant to chapter 624 or 645 of NRS if each business is disclosed separately in the advertisement and each business incurs a pro rata share of the cost associated with the advertisement.

4. A mortgage banker must include in his advertisements, including any advertising material available on the Internet:

(a) The complete name of the mortgage banker or the complete name under which the mortgage banker does business.

(b) The *license number*, address and telephone number that the mortgage banker has on file with the Division. Additional telephone or cellular phone numbers of the mortgage banker may also be included.

(c) A description of any licensed activity mentioned in the advertisement, written in nontechnical terms.

5. A mortgage banker shall not use advertising material that simulates the appearance of a check, a communication from a government entity, or an envelope containing a check or a communication from a government entity, unless:

(a) The words "THIS IS NOT A CHECK," "NOT NEGOTIABLE" or "THIS IS NOT A GOVERNMENT ENTITY," as appropriate, appear prominently on the envelope and any material that simulates the appearance of a check or a communication from a government entity; and

(b) If the material simulates the appearance of a check, the material does not contain an American Bankers Association number, microencoding or any other marks intended to create the appearance that the material is a negotiable check.

6. In addition to the requirements of this chapter, each advertisement used in carrying on the business of a mortgage banker must comply with:

(a) NRS 598.0903 to 598.0999, inclusive, concerning deceptive trade practices; and

(b) All applicable federal statutes and regulations concerning deceptive advertising and advertising of interest rates.

**7. A mortgage banker shall not:**

*(a) make reference to an existing lender or financial institution, other than the mortgage banker himself, or the trade name or trade mark of the lender or financial institution, without the written consent of the lender or financial institution; or*

*(b) make reference to a loan number, loan amount or other specific loan information on the outside of an envelope, visible through the envelope window, or on a postcard in connection with any written communication that includes or contains a solicitation for products or services offered by the other lender or financial institution, unless the advertisement clearly and conspicuously states in bold-faced type that the mortgage banker is not sponsored by or affiliated with such lender or financial institution and that the advertisement is not authorized by the lender or financial institution.*

**Sec. 6.** NAC 645E.315 is hereby amended to read as follows:

1. *Any material change in the ownership or a change of control shall be submitted to the Commissioner for approval at least 30 days prior thereto.*

2. Any material change in the ~~ownership,~~ management or principal employees of a mortgage banker at its principal office or a branch office must be reported to the Commissioner not later than 30 calendar days after the change.

~~2]~~ 3. If a person acquires stock or ownership in a mortgage banker as a result of a transfer that constitutes a change of control pursuant to NRS 645E.390:

(a) A financial statement or personal interrogatory of the prospective owner, partner, corporate shareholder, manager or employee must be submitted to the Commissioner for his consideration;

(b) The person may not participate in the management of the mortgage banker until the Commissioner has approved the transfer; and

(c) The mortgage banker may not change the location of its principal office or a branch office until the Commissioner has approved the transfer.

**4. An application for a change in control must be submitted on a form prescribed by the Division.**

**Sec. 7.** NAC 645E.355 is hereby amended to read as follows:

As used in NRS 645E.350, the Commissioner interprets “complete and suitable records” to mean:

1. For residential mortgage loans, a file that includes, but is not limited to, the following documents, if applicable to the type and purpose of the loan:

(a) The real estate sales contract;

(b) Escrow instructions;

(c) The preliminary title report;

(d) The loan application, including, but not limited to, any attachments or supplements;

(e) An appraisal report *or other independent verification of the value of the mortgaged property*;

(f) Any verification of representations made by the consumer on the application for the loan;

(g) A credit report;

(h) ~~[A]~~ *The initial and all subsequently* good faith estimate of closing costs and any disclosures required pursuant to the federal Truth in Lending Act, 15 U.S.C. §§ 1601 et seq.;

(i) The Uniform Settlement Statement, as described pursuant to 12 U.S.C. § 2603;

(j) Any commitments made by the lender to the consumer, including, but not limited to, a commitment to guarantee the consumer a certain interest rate and a commitment to fund the loan;

(k) A recorded or confirmed deed of trust;

(l) The title insurance policy;

(m) The note;

(n) Any subsequent assignment of the loan to institutional investors; and

(o) The hazard insurance policy.

2. For commercial mortgage loans that are funded by the mortgage banker, a file that includes, if applicable, the items required pursuant to paragraphs (a) to (j), inclusive, of subsection 1.

3. Any additional books and records that must be maintained or readily accessible at each place of business of the mortgage banker, including, but not limited to:

(a) Any book or record that evidences compliance with applicable federal and state laws and regulations;

(b) A copy of each item of advertising material that was published or distributed by or on behalf of the mortgage banker, in the format in which the material was published or distributed;

(c) A copy of any written complaint received by the mortgage banker, together with all correspondence, notes, responses and other documentation related to the disposition of the complaint;

(d) All checkbooks, check registers, bank statements, deposit slips, withdrawal slips, cancelled checks and other records that relate to the business of the mortgage banker;

(e) Copies of all federal tax withholding forms, reports of income for federal taxation and evidence of payments to all employees, independent contractors and other persons that worked for the mortgage banker;

(f) Copies of all documents evidencing a contractual relationship between the mortgage banker and any third-party provider of services related to mortgages, including, but not limited to, contracts, invoices, billings and remittances to the provider by or on behalf of the mortgage banker;

(g) Copies of all material correspondence related to the business of the mortgage banker, including, but not limited to, electronic messages; and

(h) Copies of all reports, audits, examinations, inspections, reviews, investigations or other similar activities relating to the business of the mortgage banker performed by any third party, including, but not limited to, any regulatory or supervisory authority.

**Sec. 8.** NAC 645E.360 is hereby amended to read as follows:

1. Each mortgage banker shall retain records of all its completed mortgage transactions for a period of at least 4 years after the date of the last activity relating to the transaction. After a record has been retained for ~~[2]~~ *1* or more years, the mortgage banker may cause the original record to be reproduced by the microphotographic process, optical disc imaging or any other

equivalent technique designed to ensure an accurate reproduction of the original record. A record reproduced as authorized by this section must be considered by the Commissioner to be the same as the original record. Upon completion of the reproduction of a record as authorized by this section, the original record may be destroyed.

2. Each mortgage banker shall retain applications for mortgages that were denied or withdrawn for a period of at least 1 year or as otherwise required by federal law.

3. Each mortgage banker shall maintain records of completed mortgage transactions at the location at which the mortgage loan was made for at least 1 year after the date of closing of the loan. After expiration of the 1-year period required pursuant to this subsection, any such record may be maintained for the minimum period prescribed in subsection 1 at another location if the record can be provided not later than 24 hours after a request for the record. The Commissioner, for good cause shown, may allow a longer period to provide records.

*4. Mortgage loan files may not be stored in a rented storage unit.*

*5. The Commissioner may for good cause shown permit the electronic reproduction and storage of records less than 1 year from the date of the completed mortgage transaction.*

**Sec. 9.** NAC 645E.400 is hereby amended to read as follows:

An appraisal submitted to a lender by a mortgage banker must not be prepared by the mortgage banker and must:

1. If the appraised property is located in this State, be prepared by an appraiser who holds the appropriate license, certificate or permit issued by the Real Estate Division of the Department of Business and Industry; or

2. If the appraised property is located outside this State, be prepared by an appraiser who is authorized to perform the appraisal by the appropriate agency of the state in which the property is located~~and~~*;***and**

*3. Must, at a minimum, meet the standards set forth in the Uniform Standards of Professional Appraisal Practice as adopted by the Appraisal Standards Board of the Appraisal Foundation.*

**Sec. 10.** NAC 645E.500 is hereby amended to read as follows:

1. The Commissioner may refer to, *and cooperate with*, the appropriate federal or state agency for investigation and appropriate action each suspected violation of:

(a) The Truth in Lending Act, 15 U.S.C. §§ 1601 to 1667f, inclusive, including, without limitation, the Home Ownership and Equity Protection Act of 1994, 15 U.S.C. § 1639, or Regulation Z, 12 C.F.R. Part 226.

(b) The Equal Credit Opportunity Act, 15 U.S.C. §§ 1691 to 1691f, inclusive, or Regulation B, 12 C.F.R. Part 202.

(c) The Real Estate Settlement Procedures Act, 12 U.S.C. §§ 2601 to 2617, inclusive, or Regulation X, 24 C.F.R. Part 3500.

*(d) Any other violation of state or federal law.*

2. For the purposes of NRS 645E.670, a mortgage banker commits a violation if the mortgage banker:

(a) Engages in a deceptive trade practice as defined in chapter 598 of NRS;

(b) Fails to refund any fees collected in excess of the actual cost the mortgage banker incurs or pays for any appraisal, credit report or any other product or service provided by a third party in connection with the making of a loan; or



(c) Violates a provision of:

(1) The Truth in Lending Act, 15 U.S.C. §§ 1601 to 1667f, inclusive, including, without limitation, the Home Ownership and Equity Protection Act of 1994, 15 U.S.C. § 1639, or Regulation Z, 12 C.F.R. Part 226.

(2) The Equal Credit Opportunity Act, 15 U.S.C. §§ 1691 to 1691f, inclusive, or Regulation B, 12 C.F.R. Part 202.

(3) The Real Estate Settlement Procedures Act, 12 U.S.C. §§ 2601 to 2617, inclusive, or Regulation X, 24 C.F.R. Part 3500.

(4) Any other applicable federal or state law or regulation related to mortgage transactions.

**Sec. 11.** Chapter 645E of NAC is hereby amended by adding thereto the provisions set forth as section 12 of this regulation.

**Sec. 12 .** *Limitations and guidelines on insider loans made by a mortgage banker.*

*1. For the purposes of this section, the following definitions apply:*

*(a) “Extension of credit” means the making or renewal of a loan, a granting of a line of credit, or any other right, however structured, granted by the mortgage banker to an insider to defer payment of debt or to incur debt and defer its payment.*

*(b) “Insider” means a director, officer or employee of a mortgage banker, or any relative or affiliated company of any of the foregoing.*

*(c) “Insider loan” means an extension of credit to an insider*

*(d) “Lending limit” means the maximum permitted dollar amount for all insider loans made by the mortgage banker.*

*2. Insider loans made by a mortgage banker are subject to the following limitations and conditions:*

*(a) The lending limit may not exceed 25% of the total dollar amount of outstanding funded loans that are not in default and that were made by the mortgage banker or 100% of the mortgage banker’s net worth as shown in the mortgage banker’s most recent annual financial statement pursuant to NRS 645E.360, whichever is greater.*

*(b) The mortgage banker must specifically identify on the monthly activity report required pursuant to NRS 645E.350 any insider loan he has made.*