

**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 645B.060

Section 1. Chapter 645B of NAC is hereby amended by adding thereto the provisions set forth as section 2 of this regulation.

Sec. 2. *Limitations and guidelines on insider loans made by a mortgage broker.*

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

(a) “Company” means any form of business entity other than a natural person.

(b) “Control of the company” means a natural person or company who directly or indirectly, or acting through or in concert with one or more natural persons or companies:

(1) Owns, controls, or has the power to vote 25 percent or more of any class of voting securities of the company; or

(2) Controls in any manner the election of a majority of the directors of the company; or

(3) Has the power, directly or indirectly, to exercise a controlling influence over the management or policies of the company.

(c) For purposes of this section a person is presumed to have control, including the power to exercise a controlling influence over the management or policies, of a company if the person is:

(1) An executive officer or director of the company; or

(2) Directly or indirectly owns, controls, or has the power to vote more than 25% percent of any class of voting securities of the company ; or

(3) Directly or indirectly owns, controls, or has the power to vote less than 25% percent of any class of voting securities of the company or has no ownership of the company, and directs the management and/or policy of the company.

(d) “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 broker to an insider to defer payment of debt or to incur debt and defer its payment.

(e) “Insider” means an executive officer, director, principal shareholder, owner, employee (1099 & W-2) or general partner of a mortgage broker, or any relative or affiliated company of any of the foregoing.

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

(g) "Institutional investor" has the same meaning as in NRS 90.240.

(h) “Lending limit” means the maximum permitted dollar amount for all insider loans made or arranged by the mortgage broker.

2. If a mortgage broker maintains any accounts described in NRS 645B.170 or NRS645B.175, insider loans made or arranged by the mortgage broker are subject to the following limitations and conditions:

(a) The lending limit may not exceed 25% of the total dollar amount of outstanding investor funded loans that are not in default and that were arranged by the mortgage broker or 100% of the mortgage broker's net worth as defined in NAC 645B.095, whichever is greater.

(b) An investor who is not an institutional investor and who funds an insider loan may not waive the provisions of NAC 645B.080(1).

(c) If the insider is a company, the financial and credit information required in NAC 645B.080 (1) must be provided to the investor for any natural person who has control of the company, including, without limitation, the financial and credit information for any insider having a financial investment in the company.

(d) The mortgage broker must specifically identify on the monthly activity report required pursuant to NRS 645B.080 any insider loan he has made.