

DEC 09 2011

**INDIANA SECRETARY OF STATE
SECURITIES DIVISION**

INDIANA
SECRETARY OF STATE

IN THE MATTER OF:)
)
LICENSING REQUIREMENTS FOR) 11-0397 AO
PRINCIPAL MANAGERS UNDER THE)
INDIANA LOAN BROKER ACT)

ADMINISTRATIVE ORDER

The Indiana Secretary of State and the Securities Commissioner (“Commissioner”) have determined that it is appropriate and in the public interest to issue an Administrative Order regarding licensing requirements for principal managers.

Regulatory Context

Ind. Code § 23-2-5-4(c) states that any individual wanting to engage in the mortgage business as a principal manager of a loan broker is required to obtain a principal manager license from the Indiana Secretary of State, Securities Division (“Division”). Ind. Code § 23-2-5-5(c) provides the application requirements for a principal manager license, which include identifying information, pre-licensure education, and evidence of three (3) years experience in the loan brokerage or financial services business. Ind. Code § 23-2-5-5.5(a) adds an additional requirement that the principal manager must pass a written examination administered by an agent appointed by the Commissioner and approved by the Nationwide Mortgage Licensing System and Registry.

Background

In 2007, the Indiana General Assembly created the principal manager license and required that every loan broker main and branch office have a principal manager supervising the activities at that office. The principal manager designation is a license that is unique to Indiana and a number of other states under other names. At the same time, the General Assembly required that principal managers and mortgage loan originators pass an examination to receive a license and that the applicant have three (3) years of experience in the loan brokerage or financial services industries. The Division selected a vendor to develop separate examinations for mortgage loan originators and for principal managers. All individuals desiring to be a principal manager were required to pass the principal manager examination to receive the license.

In 2008, the U.S. Congress passed the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (“Safe Act”), which standardized testing and other licensing requirements for mortgage loan originators. The Safe Act deemed the Nationwide Mortgage Licensing System and Registry (“NMLS”) to be the depository for all state licensing of mortgage loan originators and others associated with the mortgage industry. In Indiana, the NMLS became the depository for

licensing information for principal managers as well. As a result of the Safe Act, the NMLS standardized pre-license testing with a national examination and a separate state specific examination for each state that all mortgage loan originators, as well as principal managers in Indiana, were required to take. As a result, the Division discontinued the mortgage loan originator examination that it developed, but the principal manager examination has remained in place.

Beginning January 1, 2012, in lieu of the principal manager examination, the Division will require that every candidate for principal manager complete sixteen (16) hours of education approved through the NMLS as continuing education in addition to the twenty (20) hours of pre-license education for a total of thirty-six (36) hours. In choosing the additional sixteen (16) hours, the applicant must select at least four (4) hours of ethics, cannot choose continuing education courses that are specific to any state, and cannot duplicate any courses taken in the previous two (2) years. If the applicant is already licensed as a mortgage loan originator, then the additional sixteen (16) hours, beyond the annual requirement for eight (8) hours of continuing education, will be required before the principal manager license is approved.

A separate qualification for the principal manager license is the necessary experience in a related industry. Ind. Code § 23-2-5-5(c)(8) requires that applicants for a principal manager license provide evidence that the individual has at least three (3) years of experience in the loan brokerage or financial services business. Due to the complexities of mortgage transactions, in interpreting that requirement, the Commissioner shall consider the financial services business to include only the mortgage loan business. Therefore, only an individual who has been licensed with a state regulatory agency as a mortgage loan originator, registered through the NMLS as a mortgage loan originator, or worked in a position where the individual would have been a registered mortgage loan originator had registration been available in three (3) of the previous five (5) years will be eligible to be licensed as a principal manager.

From December 9, 2011, until the end of 2011, the applicant for license as a principal manager may choose either the licensing requirements detailed in this Administrative Order or the licensing requirements in place prior to the Administrative Order.

IT IS THEREFORE ORDERED that:

Beginning January 1, 2012, in interpreting the qualifications for the principal manager license under Ind. Code § 23-2-5-5(c), the Commissioner shall require the following:

1. Applicants must complete an additional sixteen (16) hours of education acceptable to the Commissioner, which must include four (4) hours on the topic of ethics. This education requirement is in addition to the already required pre-license education and continuing education.

AND

2. Applicants must fall within one (1) of the categories below for three (3) out of the previous five (5) years from the date of application:
 - (a) Licensed with a state regulatory agency as a mortgage loan originator
 - (b) Registered as a mortgage loan originator through the NMLS; or
 - (c) Worked in a position where the individual would have been registered with the NMLS had registration been available.

From December 9, 2011, to December 31, 2011, the Commissioner shall accept either the requirements listed above or the current principal manager assessment.

DATED at Indianapolis, Indiana, this 9TH day of DECEMBER, 2011.

CHARLES P. WHITE
SECRETARY OF STATE



CHRIS NAYLOR
SECURITIES COMMISSIONER

