

AN ACT concerning regulation.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The Residential Mortgage License Act of 1987 is amended by changing Section 1-3 as follows:

(205 ILCS 635/1-3) (from Ch. 17, par. 2321-3)

Sec. 1-3. Necessity for License; Scope of Act.

(a) No person, partnership, association, corporation or other entity shall engage in the business of brokering, funding, originating, servicing or purchasing of residential mortgage loans without first obtaining a license from the Secretary in accordance with the licensing procedure provided in this Article I and such regulations as may be promulgated by the Secretary. The licensing provisions of this Section shall not apply to any entity engaged solely in commercial mortgage lending or to any person, partnership association, corporation or other entity exempted pursuant to Section 1-4, subsection (d), of this Act or in accordance with regulations promulgated by the Secretary hereunder. No provision of this Act shall apply to an exempt person or entity as defined in items (1) and (1.5) of subsection (d) of Section 1-4 of this Act. Notwithstanding anything to the contrary in the preceding sentence, an individual acting as a mortgage loan originator

who is not employed by and acting for an entity described in item (1) of subsection (tt) of Section 1-4 of this Act shall be subject to the mortgage loan originator licensing requirements of Article VII of this Act.

Effective January 1, 2011, no provision of this Act shall apply to an exempt person or entity as defined in item (1.8) of subsection (d) of Section 1-4 of this Act. Notwithstanding anything to the contrary in the preceding sentence, an individual acting as a mortgage loan originator who is not employed by and acting for an entity described in item (1) of subsection (tt) of Section 1-4 of this Act shall be subject to the mortgage loan originator licensing requirements of Article VII of this Act, and provided that an individual acting as a mortgage loan originator under item (1.8) of subsection (d) of Section 1-4 of this Act shall be further subject to a determination by the U.S. Department of Housing and Urban Development through final rulemaking or other authorized agency determination under the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008.

(a-1) A person who is exempt from licensure pursuant to paragraph (ii) of item (1) of subsection (d) of Section 1-4 of this Act as a federally chartered savings bank that is registered with the Nationwide Mortgage Licensing System and Registry may apply to the Secretary for an exempt company registration for the purpose of sponsoring one or more individuals subject to the mortgage loan originator licensing

requirements of Article VII of this Act. Registration with the Division of Banking of the Department shall not affect the exempt status of the applicant.

(1) A mortgage loan originator eligible for licensure under this subsection shall (A) be covered under an exclusive written contract with, and originate residential mortgage loans solely on behalf of, that exempt person; and (B) hold a current, valid insurance producer license under Article XXXI of the Illinois Insurance Code.

(2) An exempt person shall: (A) fulfill any reporting requirements required by the Nationwide Mortgage Licensing System and Registry or the Secretary; (B) provide a blanket surety bond pursuant to Section 7-12 of this Act covering the activities of all its sponsored mortgage loan originators; (C) reasonably supervise the activities of all its sponsored mortgage loan originators; (D) comply with all rules and orders (including the averments contained in Section 2-4 of this Act as applicable to a non-licensed exempt entity provided for in this Section) that the Secretary deems necessary to ensure compliance with the federal SAFE Act; and (E) pay an annual registration fee established by the Director.

(3) The Secretary may deny an exempt company registration to an exempt person or fine, suspend, or revoke an exempt company registration if the Secretary finds one of the following:

(A) that the exempt person is not a person of honesty, truthfulness, or good character;

(B) that the exempt person violated any applicable law, rule, or order;

(C) that the exempt person refused or failed to furnish, within a reasonable time, any information or make any report that may be required by the Secretary;

(D) that the exempt person had a final judgment entered against him or her in a civil action on grounds of fraud, deceit, or misrepresentation, and the conduct on which the judgment is based indicates that it would be contrary to the interest of the public to permit the exempt person to manage a loan originator;

(E) that the exempt person had an order entered against him or her involving fraud, deceit, or misrepresentation by an administrative agency of this State, the federal government, or any other state or territory of the United States, and the facts relating to the order indicate that it would be contrary to the interest of the public to permit the exempt person to manage a loan originator;

(F) that the exempt person made a material misstatement or suppressed or withheld information on the application for an exempt company registration or any document required to be filed with the Secretary;
or

(G) that the exempt person violated Section 4-5 of this Act.

(b) No person, partnership, association, corporation, or other entity except a licensee under this Act or an entity exempt from licensing pursuant to Section 1-4, subsection (d), of this Act shall do any business under any name or title, or circulate or use any advertising or make any representation or give any information to any person, which indicates or reasonably implies activity within the scope of this Act.

(c) The Secretary may, through the Attorney General, request the circuit court of either Cook or Sangamon County to issue an injunction to restrain any person from violating or continuing to violate any of the foregoing provisions of this Section.

(d) When the Secretary has reasonable cause to believe that any entity which has not submitted an application for licensure is conducting any of the activities described in subsection (a) hereof, the Secretary shall have the power to examine all books and records of the entity and any additional documentation necessary in order to determine whether such entity should become licensed under this Act.

(d-1) The Secretary may issue orders against any person if the Secretary has reasonable cause to believe that an unsafe, unsound, or unlawful practice has occurred, is occurring, or is about to occur, if any person has violated, is violating, or is about to violate any law, rule, or written agreement with the

Secretary, or for the purposes of administering the provisions of this Act and any rule adopted in accordance with this Act.

(e) Any person, partnership, association, corporation or other entity who violates any provision of this Section commits a business offense and shall be fined an amount not to exceed \$25,000. A mortgage loan brokered, funded, originated, serviced, or purchased by a party who is not licensed under this Section shall not be held to be invalid solely on the basis of a violation under this Section. The changes made to this Section by this amendatory Act of the 99th General Assembly are declarative of existing law.

(f) Each person, partnership, association, corporation or other entity conducting activities regulated by this Act shall be issued one license. Each office, place of business or location at which a residential mortgage licensee conducts any part of his or her business must be recorded with the Secretary pursuant to Section 2-8 of this Act.

(g) Licensees under this Act shall solicit, broker, fund, originate, service and purchase residential mortgage loans only in conformity with the provisions of this Act and such rules and regulations as may be promulgated by the Secretary.

(h) This Act applies to all entities doing business in Illinois as residential mortgage bankers, as defined by "An Act to provide for the regulation of mortgage bankers", approved September 15, 1977, as amended, regardless of whether licensed under that or any prior Act. Any existing residential mortgage

lender or residential mortgage broker in Illinois whether or not previously licensed, must operate in accordance with this Act.

(i) This Act is a successor Act to and a continuance of the regulation of residential mortgage bankers provided in, "An Act to provide for the regulation of mortgage bankers", approved September 15, 1977, as amended.

Entities and persons subject to the predecessor Act shall be subject to this Act from and after its effective date.

(Source: P.A. 97-143, eff. 7-14-11; 98-492, eff. 8-16-13.)

Section 99. Effective date. This Act takes effect upon becoming law.