



JIM GIBBONS
Governor

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
DIVISION OF MORTGAGE LENDING
7220 Bermuda Road, Ste. A
Las Vegas, NV 89119
(702) 486-0780 Fax (702) 486-0785
www.mld.nv.gov

DIANNE CORNWALL
Director

JOSEPH L. WALTUCH
Commissioner

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Re: Assembly Bill No. 151
Guidance on Placement of License Number on Loan Documents—Revised
(revisions in **bold** text)

Assembly Bill 151 was signed by the Governor on May 29, 2009 and became effective on that date. A new section of the law was added to chapter 645B of NRS to read:

A mortgage broker shall ensure that each loan secured by a lien on real property for which he engages in activity as a mortgage broker includes the license number of the mortgage broker.

This section only applies to loans secured by liens on real property offered on or after May 29, 2009.

For loans made between May 29, 2009 and October 1, 2009, AB 151 also provides that a mortgage broker who does not include his license number on the loan as required may, without penalty, cure his failure to comply no later than 30 days after the date the loan was made.

The legislative purpose for the new law is apparently to permit the tracking of who brokered the loan. By placing the broker's license number on the loan documents, consumers, lenders, secondary market participants and regulators will be able to easily identify the broker involved in the loan origination process.

The new legislation does not provide guidance on where in the loan the broker's license number must appear. The Division has been requested by several licensees to provide that guidance.

The Division believes that the most practical way to identify the broker is to place the broker's name (not required by AB 151, but recommended) and license number on the loan application, the note, the deed of trust, and the final HUD settlement statement, when the broker prepares any one or more of these documents, as follows:

- On the loan application, using a uniform 1003 (rev. 6/09) as an example, insert the broker's name followed by "NV license # _____" **in the space provided at the end of Section X, "Information for Government Monitoring Purposes."** **If a prior version of the uniform 1003 is utilized, insert the same information** above the caption "Uniform Residential Loan Application".
- On the promissory note, using a uniform FNMA note as an example, in the top margin of the document insert the broker's name and "NV license # _____" above the caption, possibly in close proximity to the loan or account number that is generally placed on the top of this document.
- On the deed of trust or other security instrument, again using a uniform instrument as an example, insert the broker's name followed by "NV license # _____" in the space immediately above and to the left of the "Space above this line for recording data". In the event placing the information in this section will cause a particular recorder's office to reject the document, place the information immediately below the line.
- On the HUD settlement statement, insert "NV license # _____" on **any vacant line in the 800 series** after the broker's name that is shown for payment of loan origination fees. If no fees are being paid to the broker, insert the broker's name as well as the license number. **If there is insufficient space in the 800 series, insert the same information on any vacant line in the 1300 series.**

The Division is aware that mortgage brokers generally do not prepare the final loan documents, such as the note and deed of trust. In those cases where they are not prepared by the broker, the Division recommends that the broker request that the lender insert the information on behalf of the broker.

The above guidance is directed towards mortgage loans where a broker generally utilizes uniform FNMA/Freddie or similar documents. For a broker who prepares his own documents, such as in a commercial or private investor loan, the broker's name and license number information should at a minimum appear on the note and security instrument in the same general areas as described above. These brokers should also include this information on any additional collateral instrument that may also be recorded or filed with the state or a county office.

Finally, under AB 151 if the license number is not inserted in a loan made between May 29, 2009 and October 1, 2009 the mortgage broker may cure his failure to comply within 30 days after the loan was made. The Division recommends that in order to be compliant, the broker send an amended application, settlement statement, or a copy of the face sheet of the note and deed of trust, which includes the license number, to the consumer, along with a cover letter that indicates the purpose of the corrected documents is the result of the passage of AB 151.

The Division will examine to determine that the broker's license number is placed on the loan documents, along with the mortgage broker's name if it is not readily apparent from the transaction. The Division will permit some flexibility in placement, however, depending on the nature of the loan and the particular loan documents.