

**SENATE SUBSTITUTE AMENDMENT 1,
TO 2003 SENATE BILL 279**

November 5, 2003 – Offered by COMMITTEE ON AGRICULTURE, FINANCIAL INSTITUTIONS
AND INSURANCE.

1 **AN ACT** *to renumber* 224.71 (1c) and 224.72 (3); *to amend* 15.09 (6), 224.72 (3)
2 (title), 224.72 (5) (a), 224.72 (7m) (intro.), 224.77 (1m) (a), 224.80 (1) and 224.80
3 (2) (a) 1.; and *to create* 15.187, 224.17 (1ag), 224.71 (1d), 224.72 (3) (b), 224.72
4 (3) (c), 224.72 (7) (d) and (e), 224.72 (7m) (am), 224.72 (7p), 224.755 and 224.79
5 of the statutes; **relating to:** qualifications of certain agents of mortgage
6 bankers and mortgage brokers, consumer mortgage brokerage agreements,
7 granting rule-making authority, and providing a penalty.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

8 **SECTION 1.** 15.09 (6) of the statutes is amended to read:
9 15.09 (6) REIMBURSEMENT FOR EXPENSES. Members of a council shall not be
10 compensated for their services, but, except as otherwise provided in this subsection,
11 members of councils created by statute shall be reimbursed for their actual and
12 necessary expenses incurred in the performance of their duties, such reimbursement

1 in the case of an elective or appointive officer or employee of this state who represents
2 an agency as a member of a council to be paid by the agency which pays his or her
3 salary. Members of the loan originator council under s. 15.187 (1) may not be
4 reimbursed for their actual and necessary expenses incurred in the performance of
5 their duties.

6 **SECTION 2.** 15.187 of the statutes is created to read:

7 **15.187 Same; councils. (1)** LOAN ORIGINATOR REVIEW COUNCIL. There is
8 created in the department of financial institutions a loan originator council. The
9 council shall consist of the following members, appointed by the secretary of financial
10 institutions for 4-year terms:

11 (a) Three persons who are loan originators registered under s. 224.72 (1m).

12 (b) Three persons who are agents of mortgage brokers registered under s.
13 224.72 (1m) or agents of mortgage bankers registered under s. 224.72 (1m).

14 (c) The secretary of financial institutions or his or her designee.

15 **SECTION 3.** 224.71 (1ag) of the statutes is created to read:

16 224.71 (1ag) “Affiliate,” when used in reference to any person, means another
17 person who controls, is controlled by, or is under common control with the person.

18 **SECTION 4.** 224.71 (1c) of the statutes is renumbered 224.71 (1e).

19 **SECTION 5.** 224.71 (1d) of the statutes is created to read:

20 224.71 (1d) “Consumer” means a person other than an organization, as defined
21 in s. 421.301 (28), who seeks or acquires mortgage brokerage services for personal,
22 family, or household purposes.

23 **SECTION 6.** 224.72 (3) (title) of the statutes is amended to read:

24 224.72 (3) (title) ~~ADDITIONAL REQUIREMENT~~ REQUIREMENTS FOR LOAN ORIGINATOR
25 APPLICANT.

1 **SECTION 7.** 224.72 (3) of the statutes is renumbered 224.72 (3) (a).

2 **SECTION 8.** 224.72 (3) (b) of the statutes is created to read:

3 224.72 **(3)** (b) In addition to the requirements of sub. (2), each applicant for
4 registration as a loan originator, other than an applicant employed by an affiliate of
5 a credit union or of an entity described under s. 224.71 (3) (b) 1., shall pass a written
6 examination, approved by the loan originator council, covering primary and
7 subordinate mortgage financing transactions and the provisions of this subchapter.
8 The examination shall be administered by the technical college system board, a
9 professional trade association whose members include loan originators, or any other
10 person approved by the division.

11 **SECTION 9.** 224.72 (3) (c) of the statutes is created to read:

12 224.72 **(3)** (c) The employer of each applicant for registration as a loan
13 originator, other than an applicant employed by an affiliate of a credit union or of an
14 entity described under s. 224.71 (3) (b) 1., shall obtain a criminal history search
15 relating to the applicant from the records maintained by the department of justice
16 and submit the results of the search to the division.

17 **SECTION 10.** 224.72 (5) (a) of the statutes is amended to read:

18 224.72 **(5)** (a) *Loan originator.* Except as provided in sub. (7m), upon receiving
19 a properly completed application for registration as a loan originator and the fee
20 specified in rules promulgated under sub. (8) and upon an applicant's compliance
21 with sub. (3) (a) and, if required, sub. (3) (b), the division may issue to the applicant
22 a certificate of registration as a loan originator.

23 **SECTION 11.** 224.72 (7) (d) and (e) of the statutes are created to read:

24 224.72 **(7)** (d) 1. Except as provided in subd. 2., an applicant for renewal of a
25 certificate of registration as a loan originator, other than an applicant employed by

1 an affiliate of a credit union or of an entity described under s. 224.71 (3) (b) 1., shall,
2 as part of the application, submit evidence that is satisfactory to the division that,
3 during the 2 years preceding the date of application, the applicant has successfully
4 completed at least 16 hours of education approved by the loan originator council
5 covering primary and subordinate mortgage financing transactions and the
6 provisions of this subchapter.

7 2. No later than June 30 of each year, the technical college system board, a
8 professional trade association whose members include loan originators, or any other
9 person approved by the division shall administer an examination or series of
10 examinations, approved by the loan originator council, on the educational subjects
11 required under subd. 1. Any applicant who, as part of the application, submits
12 evidence that is satisfactory to the division that the applicant has passed the
13 examination or series of examinations under this subdivision during the 2 years
14 immediately preceding the date of application is not required to comply with subd.
15 1.

16 (e) If an applicant for renewal of a certificate of registration as a loan originator
17 has changed employers since his or her criminal history was last searched under this
18 paragraph or sub. (3) (c), the applicant's current employer shall obtain a criminal
19 history search relating to the applicant from the records maintained by the
20 department of justice and submit the results of the search to the division.

21 **SECTION 12.** 224.72 (7m) (intro.) of the statutes is amended to read:

22 224.72 (7m) DENIAL OF APPLICATION FOR ISSUANCE OR RENEWAL OF REGISTRATION.
23 (intro.) The ~~department~~ division may not issue or renew a certificate of registration
24 under this section if any of the following applies:

25 **SECTION 13.** 224.72 (7m) (am) of the statutes is created to read:

1 224.72 **(7m)** (am) The information provided to the division under sub. (3) (c)
2 or (7) (e) indicates that the applicant has been convicted of a felony and, as a result
3 of the conviction, the applicant represents an unreasonable risk of violating this
4 subchapter, in the opinion of the division.

5 **SECTION 14.** 224.72 (7p) of the statutes is created to read:

6 **224.72 (7p) RULES FOR APPROVAL OF COMPETENCY EXAMINATIONS AND CONTINUING**
7 **EDUCATION.** The division shall promulgate rules establishing standards for the
8 approval by the loan originator council of examinations in the law of mortgage
9 banking and mortgage brokering under subs. (3) (b) and (7) (d) and the curricula of
10 education under sub. (7) (d).

11 **SECTION 15.** 224.755 of the statutes is created to read:

12 **224.755 Continuing education and examination records.** A loan
13 originator shall keep records documenting compliance with s. 224.72 (7) (d) for at
14 least 4 years. The technical college system board and any professional trade
15 association or other person that administers examinations or provides education
16 under s. 224.72 (7) (d) shall maintain records documenting attendance and
17 examination performance for at least 4 years.

18 **SECTION 16.** 224.77 (1m) (a) of the statutes is amended to read:

19 **224.77 (1m)** (a) The division may assess against a person who is registered
20 under this chapter a forfeiture of not more than ~~\$1,000~~ \$2,000 for each violation
21 enumerated under sub. (1) (a) to (o) or (r).

22 **SECTION 17.** 224.79 of the statutes is created to read:

23 **224.79 Consumer mortgage brokerage agreements and consumer**
24 **disclosures. (1) FORM AND CONTENT OF CONSUMER MORTGAGE BROKERAGE AGREEMENTS.**
25 Every contract between a mortgage broker and a consumer under which the

1 mortgage broker agrees to provide brokerage services to the consumer shall be in
2 writing, in the form prescribed by rule of the division, and shall contain all
3 information required by rule of the division. The division shall promulgate rules to
4 administer this subsection in consultation with the loan originator council under s.
5 15.187 (1). The division shall design these rules to facilitate the comparison of
6 similar charges and total charges assessed by different mortgage brokers.

7 **(2) CONSUMER DISCLOSURE STATEMENT.** Before entering into a contract with a
8 consumer to provide brokerage services, a mortgage broker shall give the consumer
9 a copy of a consumer disclosure statement, explain the content of the statement, and
10 ensure that the consumer initials or signs the statement, acknowledging that the
11 consumer has read and understands the statement. The consumer disclosure
12 statement shall contain a brief explanation of the relationship between the consumer
13 and the mortgage broker under the proposed contract, a brief explanation of the
14 manner in which the mortgage broker may be compensated under the proposed
15 contract, and any additional information required by rule of the division. The
16 division shall promulgate rules to administer this subsection in consultation with
17 the loan originator council under s. 15.187 (1) and, by rule, shall specify the form and
18 content of the consumer disclosure statement required under this subsection.

19 **SECTION 18.** 224.80 (1) of the statutes is amended to read:

20 **224.80 (1) PENALTIES.** A person who violates s. 224.72 (1m) may be fined not
21 more than ~~\$1,000~~ \$2,000 or imprisoned for not more than ~~6~~ 9 months or both. The
22 district attorney of the county where the violation occurs shall enforce the penalty
23 under this subsection on behalf of the state.

24 **SECTION 19.** 224.80 (2) (a) 1. of the statutes is amended to read:

