

Danny Yen, d/b/a Real Estate Educational Services (REES) **Consent Order-Settlement Agreement FAQs for Mortgage Loan Originators (MLOs) & Companies**

FAQs for MLOs (for Company FAQs please see pg. 8)

No.	Question	Answer
1	What are some of the key settlement terms?	<ul style="list-style-type: none"> • License surrender (NOT A SUSPENSION) • Three-month (92-day) Waiting Period to Reapply for License • Pre-Licensing Education – 20 hours (not Online Self-Study “OSS”) • Continuing Education – 8 hours (not OSS) • Penalty Payment of \$1,000 to each participating state in which MLO holds a license (note: for example, if MLO holds a license in three participating states, then the MLO would be subject to a \$3,000 penalty) • If a settling party has a pending license application in a state, that application will be withdrawn and the MLO must wait three months before reapplying for the license.
2	Is my license to be suspended?	No. This is NOT a suspension action. Your license will be surrendered, and you will have to reapply after certain conditions have been satisfied and you have completed the three-month waiting period.
3	Is the three-month waiting period under the agreement considered a license suspension for purposes of the SAFE Act, such that it must be disclosed on future license applications?	No, it is NOT a suspension. You do not have to report it as a suspension on any future license application submitted under the SAFE Act.
4	How do I surrender my license to the states if I agree to the settlement terms?	<p>The surrender will be processed by the NMLS after you and the applicable state agency or agencies sign the consent order. You are not required to take any further action in the NMLS to surrender once you sign the consent order.</p> <p>If you sign the consent order by December 27, 2021 the surrender will be processed by the NMLS on December 31, 2021.</p> <p>If you sign the consent order after December 27, 2021 the order may have an effective date later than December 31, 2021, which would delay the start of your three-month cooling-off period.</p>

5	Will I be required to disclose the consent order on future license applications?	Yes.
6	Is the consent order a public document?	<p>Yes. The document will be posted to the NMLS and provided to the states once signed. If you sign the order by December 27, 2021 the posting date will be December 31, 2021.</p> <p>The order will appear on your NMLS Consumer Access record.</p>
7	What is the difference between a consent order and settlement agreement?	The terms are used interchangeably here. Both terms simply mean that the parties have resolved their dispute under a negotiated agreement without the necessity of a hearing or trial.
8	When will the consent order become effective?	<p>Once the consent order is posted to the NMLS, the order is effective, meaning that your obligations under the agreement must be satisfied (license surrender; completion of PE and CE; payment of penalty invoice) and the three-month waiting period begins.</p> <p>If you signed the consent order by December 27, 2021 the surrender will be processed by the NMLS to reflect a December 31, 2021 surrender date.</p> <p>If you signed the consent order after December 27, 2021 the order may have an effective date of January 15, 2022, which would delay the start of your three-month cooling-off period.</p>
9	If I opt to settle, how long do I have before my license is surrendered?	You will have until December 31, 2021 to close out any remaining business. The surrender will not take effect before December 31, 2021.
10	What happens if I refuse to sign the consent order?	You have the right to reject the settlement offer extended to you by the states. If you reject the settlement offer, the states retain the right to seek to discipline your MLO license and you may face license revocation based upon any evidence obtained by the states during their investigation, which includes records or statements obtained from course provider Danny Yen, d/b/a Real Estate Educational Services.
11	If I refuse settlement and the state or states seek to discipline my license, will I receive notice and an opportunity to respond to any disciplinary proceeding initiated by the state or states?	Yes. You are entitled to due process and any state that seeks to discipline your license shall provide you with notice and an opportunity to respond. We cannot provide legal advice, however, so if you have questions about your rights under the disciplinary process in any specific state or states, we advise you to seek the assistance of counsel.

12	If I rejected the consent order, will I receive a better offer from the states or one that I can negotiate?	If you rejected settlement, we cannot say if you would receive better or different terms from the state or states in which you are licensed. You may be subject to state discipline in those states in which you hold an MLO license. State license discipline could include the revocation of your MLO license.
13	If I signed the consent order, by what date must I surrender my license to the state(s)?	<p>See answer for MLO FAQ #8.</p> <p>If you agreed to the settlement terms, your license will be surrendered in the NMLS. This will be automatically processed through the NMLS. You are not required to take any further action in the NMLS to surrender once you sign the consent order.</p> <p>The NMLS entry on the account concerning the surrender will read as follows:</p> <ul style="list-style-type: none"> • Terminated – Surrendered/Cancelled
14	If the order is public, what happens if I do not agree to the factual or legal findings contained in the document?	The document is public, but the states have included a soft-admissions clause, which indicates that you have entered into the agreement without <i>admitting</i> or <i>denying</i> liability.
15	How do I comply with the education requirements contemplated under the consent order?	<p>You must take 20 hours of pre-licensing education and 8 hours of continuing education in any format but online self-study. Approved course formats may be found HERE.</p> <p>Subjects should wait until January 1, 2022 (after the effective date of the surrender) to take the 2022 PE and CE courses. The NMLS will have to manually review the records for compliance, and it will be quicker administratively for verification.</p> <p>Also, the MLO should be made aware that following relicensing, the MLO will still have an additional 8 hour 2022 CE requirement.</p> <p>Additional details:</p> <p>The consent order included the word “late” when referencing the CE. The word “late” needs to be removed from the final order. The reason for this is NMLS published a “Late CE” catalog on Jan 1 every year for MLOs who need to make-up CE for any years between 2009 and 2021. However, all CE courses in the catalog are online self-study (OSS). NMLS will not approve, and course providers will not deliver Late CE courses in other formats to satisfy the needs of those involved in the REES case.</p>

		<p>The retaking of the 20hrs of PE and the retaking of the 8hrs of a regular non-state-specific CE course should happen during the period between January 1 thru March 31, 2022 (or later if the MLO is not intending to apply on April 1).</p> <p>The retaking of the CE will not count toward satisfying 2021 or 2022 SAFE Act CE requirements. The intent is for the MLO to take 28hrs of education in addition to the standard SAFE Act requirements.</p> <p>In accordance with the SAFE Act's successive year rule (and NMLS normal operations) the MLO may <u>not</u> take the same CE course two years in a row. This means the MLO cannot take the same CE course they completed in 2021 or will take in 2022 to satisfy normal licensing requirements (essentially, three (3) different 8-hour CE courses will be required to satisfy 2021 renewal, 2022 renewal and the settlement terms). Note that NMLS will automatically prevent a course provider from reporting the same course twice.</p> <p>For clarification, prohibition of taking an online self-study course (OSS) means that the taking of any course in which the instructor cannot visually identify and physically track the attendance of the person in the course. The MLO may take the course in person (classroom) or via webinar (classroom equivalent). Course providers delivering webinar courses (classroom equivalent) are required to have a means, usually via webcam, to verify and match the person taking a webinar course with the MLO's government issued ID.</p> <p>The NMLS cannot provide a list of recommended course providers or make a recommendation as to which course or course provider the subject must use to satisfy the PE and CE requirements under the consent order.</p>
16	Must I retake the qualified written exam prior to reapplying for my license (or submitting a petition for reinstatement)?	No.
17	How is the penalty amount calculated?	If you agree to the settlement terms, you will be required to pay a penalty of \$1,000 to each participating state agency in which you hold a license. For example, if you are licensed in three participating state agencies, the penalty amount would be calculated as \$3,000.

18	How do I pay the penalty?	<p>You will receive an invoice from the NMLS. The NMLS will distribute the funds to the states using the Agency Fee Invoicing (AFI) system. Invoices will be sent on January 15, 2022 in the NMLS.</p> <p>You must pay the invoice prior to submitting a new license application. If you fail to pay the penalty invoice by March 31, 2022, NMLS will prevent you from submitting a new MLO license application until the penalty invoice is paid through the NMLS.</p>
19	When is the penalty payment due?	The penalty payment must be paid by March 31, 2022. If the penalty invoice is not paid by that date, the NMLS will prevent you from submitting a new MLO license application until the penalty invoice is paid through the NMLS.
20	What if I cannot afford to pay the penalty amount?	Unfortunately, we cannot renegotiate any terms under the agreement. If you wish to settle with the states, you will be obligated to pay the full penalty amount to the participating states in which you are licensed. You will have until March 31, 2022 to pay the full invoice amount. If you fail to pay the penalty, NMLS will prevent the individual from submitting a new MLO license application until the penalty invoice is paid through the NMLS.
21	I have already paid my annual renewal fees. Will those renewal fees be refunded or may they be used to offset the penalty amount?	<p>Consult with your state regulator about the renewal fees. Some states may have the ability to provide refunds, but this may vary from state to state.</p> <p>Your renewal fee payment will NOT be used to offset the penalty payment requirement under the consent order.</p> <p>CA-DRE licensees may contact one of:</p> <p>Vasan, Judith@DRE Judith.Vasan@dre.ca.gov; Knapton, Sara@DRE Sara.Knapton@dre.ca.gov; Stanbra, Kathy@DRE Kathy.Stanbra@dre.ca.gov; Hafen, Jesse@DRE Jesse.Hafen@dre.ca.gov</p> <p>(If there are questions about renewal fees with respect to the DRE MLO endorsement)</p>
22	What if I re-apply for my MLO license prior to the expiration of the three-month waiting (cooling-off) period?	The states have the right to automatically deny such an application if received prior to the end of the three-month waiting period. The three-month period begins or runs from the consent order's effective date, which is the date that the order is posted to the NMLS.
23	Will my license automatically be approved after the three-month waiting period has passed?	No. The states reserve the right to fully investigate your application for licensure and may approve or deny such application under the normal process for licensing investigations.

24	May the states use the results of the REES investigation to deny my license application in the future?	The participating states may not. Any license application contemplated under the consent order would not be denied <i>solely</i> based on the facts and circumstances set forth in the parties' agreement.
25	How long will I have to wait after the three-month waiting period to have my license application approved? Is there a fast-track process to getting my license reinstated?	We cannot provide a time estimate nor make any guarantee that your license application will be approved on an expedited basis. We would advise you to seek information from each state licensing authority to determine any timing issues.
26	What if I am licensed in a state that is not a party to the consent order (I do not see one of my states in which I hold a license included in the consent order sent to me) – will I face separate or additional discipline in that state?	Possibly. Because some states' laws vary, some states are unable to participate in the multistate settlement process and will not be included under the agreement that you have been asked to sign. We would advise you to speak with the licensing specialist/regulator in that non-participating state to determine your options. You may also wish to seek the advice of counsel to determine your best course of action.
27	What if a non-participating state revokes my MLO license?	The revocation of your MLO license by another state (non-participating state) may affect your ability to hold a license or obtain a license in the future in any participating state. This is, unfortunately, one risk settling parties may face. We would advise you to seek the assistance of counsel to determine your options.
28	Will I have to surrender both my individual MLO license and my corporation's MLO license?	The settlement will only require surrender of your individual MLO license. It does not require surrender of a corporation license.
29	Does the surrendering of my license mean my company will need a new qualified employee for my company to continue to do business?	This will depend on what each state requires. If the state you are licensed in requires you, as a QI, to be a licensed MLO for that state, then the company may have to nominate another individual until you reapply and are approved in that state(s).
30	How many state agencies are participating in the settlement process?	44 state agencies are participating in the settlement.
31	Will you share the list of the 43 participating states?	This information will be shared in the state regulator public announcement. The order sets forth the participating states relevant to the settling subject.
32	What type for formats for the CE/PE is allowable?	Classroom, Classroom Equivalent (Webinar), and Online Instructor-Led. Any form of Self-Study is not allowable.

33	Am I able to originate after my license is surrendered?	Once a license is surrendered, loan origination activity may not be performed.
34	Once I surrender my license is there a grace period for any files that we currently have in process to be able to close out?	No, no origination can occur once a license is surrendered. If the settlement terms are accepted. Therefore, you will have until the surrender date to close out or transfer any files that you have in process.
35	The agreement states I must surrender my license. How would I be able to complete the PE and CE courses without an NMLS ID number?	The license surrender is temporary. The NMLS ID number that is assigned remains with the individual. When you reapply for licensure, you will retain your original NMLS ID number. Therefore, please use the same ID number for your PE and CE courses.
36	Will the surrender of my personal MLO license effect the company MLO license, as I am the broker of record? Or will the company continue to be able to operate?	The settlement agreement is only applicable to your personal MLO/NMLS ID number and has no bearing on the company MLO. The company is still able to operate. Please note, during the license surrender period you will not be able to personally perform loan origination activities.
37	Will I have to retake the MLO state exam?	No. Education courses are required, including 20 hours of Pre-Licensing Education (PE) and 8 hours of Continuing Education (CE) (not OSS). However, you would not have to retake the MLO state exam.
38	What if I completed CE for 2022? Or what if I already renewed for 2022? Do I still have to take to 8-hour CE?	The 8-hour CE required in the settlement terms is separate from any CE required to maintain your license. Therefore, you will need to take both.
39	My NMLS number is the same for state and federal; will the settlement/license surrender affect the federal side?	No. The surrender will not affect the federal MLO registration.
40	When I surrender my license and it is posted, will my employer be notified?	The order is a public document and the surrender will noted on your NMLS account.
41	I use my NMLS ID to log into my account online. When I surrender my license, will I still be able to log in with the same credentials?	Yes.
	Additional Questions?	Email Contact: REES@dfpi.ca.gov

FAQs for Companies

No.	Question	Answer
42	Is the current list of MLOs complete, or is the investigation of REES activities related to MLOs still ongoing?	There are MLOs implicated in the REES investigation that did not sign a consent order. The MLO may be subject to state discipline in those states in which the MLO holds a license. If the MLO rejected settlement, we cannot say if the MLO would receive different terms from the state or states in which they are licensed.
43	What happens in states that are not represented by regulators and that are not a party to the agreement?	When the settlement becomes public for an MLO, the individual may be subject to state discipline in the states that are not a party to the agreement and in which the MLO holds a license.
44	Will all state licenses held by an MLO go through a cooling off period or will the cooling-off period only apply to those states that participated in the settlement?	No. The settlement will require a cooling-off period for only the states identified in the MLO's consent order.
45	<p>When and how will companies be informed of:</p> <ul style="list-style-type: none"> • Which MLOs at their company accepted the agreement (can they be provided their NMLS numbers at the same time?); • If any MLOs at their company did NOT accept the agreement; • Which MLOs accepted the agreement and when each MLO's "cooling off" period begins and ends? 	<p>First Answer: Yes. The appropriate company users of NMLS must enable certain notification settings in NMLS that will allow company users to receive an email notification if a license status changes or a regulatory action is uploaded for a sponsored MLO.</p> <p>Second Answer: If an MLO did not accept a settlement offer it is possible the MLO is under investigation. Ongoing investigations are classified as Confidential Supervisory Information which cannot be disclosed.</p> <p>Third Answer: For those individuals that executed the agreement by December 27, the cooling-off period began on December 31, 2021 and ends March 31, 2022. If the individual signed the agreement after December 27, the cooling-off period may commence on January 15, 2022 and end on April 15, 2022.</p> <p>If an MLO satisfies all of the requirements under the consent order during the cooling-off period, then the MLO would be eligible to reapply for a license on April 1 or April 16, 2022 as applicable</p>

46	Will all MLOs who signed the agreement at the same company start the cooling-off period on the same day?	That was the intention of the multi-state taskforce. However, this largely depends on the MLOs signing the consent order in a timely manner. Because some MLOs signed the agreement late, the cooling-off period for those individuals will commence on January 15, 2022.
47	The agreement includes a 90-day cooling off period, but that does not mean the MLO can work again on day 93, correct?	Correct. The MLO must reapply, at the end of the cooling-off period, to the agency or agencies a party to the order.
48	How will lenders sponsoring MLOs know whether each MLO has completed all required education, paid all fines, and completed any other requirements needed before they can work?	See answer for MLO FAQ #15.
49	What is the future disposition of any MLO that didn't sign the agreement?	If an MLO implicated in the investigation did not accept a settlement offer it may be the case that the MLO is currently under investigation. The MLO could be subject to state discipline in those states in which they hold an MLO license. We cannot say if the MLO would receive different terms from the state or states in which they are licensed.
50	Will regulators provide any guidance for loans in pipelines originated by these MLOs? For example, how should lenders handle payments for pipeline loans that were locked but not closed prior to the surrender date.	Each loan application presents a unique set of circumstances. The taskforce recommends that the company contact the appropriate state regulator based on the location of the property associated with the mortgage loan.
51	Will states with two (2) mortgage licensing regulators require payment of two \$1,000 penalties if the MLO has licenses with both agencies?	Yes. The \$1,000 penalty amount applies to each state agency participating in the settlement.
52	Will MLOs have to update their NMLS MU4 form? Industry counsel are suggesting that if MLOs do not update the form they will be denied a license when they reapply.	Yes, the settling MLO should update his or her MU4.

53	How will the agreement be display in the NMLS on the MLO's record when they apply for job at another company?	The consent orders will be made public and available in NMLS Consumer Access. The consent order a.k.a. the artifact, is accessible to anyone if the artifact has been made public. But, while the order will remain public, the states have included a soft-admissions clause, which indicates that the MLO entered into the agreement without <i>admitting</i> or <i>denying</i> liability.
54	How will information about the agreement appear in the NMLS to current or potential future employers?	Public regulatory actions are displayed on the MLO's record in the NMLS and NMLS Consumer Access.
55	What is the expectation of lenders with respect to future state regulator examination of loan files involving these MLOs?	State regulators will review loan files for compliance with applicable state and federal laws, regardless of which MLO originated the loan.
56	Does the agreement prohibit an MLO from working at a bank during the cooling off period? If not, will the consent order prohibit the MLO from originating a loan during the cooling off period regardless of where they work?	First Answer: No. The agreement does not prohibit an MLO from working at a federally chartered bank during the cooling off period. However, the order does prohibit an MLO from applying for a new mortgage loan originator license or, as applicable, petition for the reinstatement of any MLO activity endorsement in any of the participating states, during the cooling off period. Second Answer: See first answer.
57	Since most MLOs will be going through their cooling off period and trying to complete these classes during the first months of the year, is there anything being done to increase the number of CE classes?	A sufficient number of CE courses will be available during the early months of 2022 to allow the MLOs to complete the requirement. New course offerings will be published by January 3, 2022.
58	How can lenders ask questions about the settlement and its implications? Will there be a dedicated contact number/staff administering the REES settlement be offered?	The rees@dfpi.ca.gov email address will remain active for purposes of answering general inquiries about the settlement. But state-specific questions should be directed to the appropriate state regulator or regulators. For example, lender guidance concerning loans already in the pipeline that were originated by MLOs now participating in the state settlement. CA DRE MLO public consent order and endorsement questions may be directed to Heather.DeYoung@dre.ca.gov.
59	Does the CA law for the Department of Real Estate that requires a one year cooling off period before a	CA DRE interprets G.C. 11522 (1 year day cooling off period prior to petitioning for reinstatement) to apply to formal actions where an Accusation has been filed. Since Accusations have not been filed

	petition to reinstate a license present a conflict to the REES settlement which only has a 90-day period?	<p>against the MLOs, G.C. 11522 does not apply to the MLOs who sign the consent order.</p> <p>On December 17, 2021, CA DRE sent out an email to the MLOs who received a settlement offer that DRE will no longer require them to petition for reinstatement after the 90-day cooling off period. Instead, CA DRE will require the MLOs to submit an NMLS application for a new MLO endorsement.</p>
60	Are there any implications for wholesale and correspondent lending channels of the REES settlement?	<p>Please be aware that the effective date of an order posted to the NMLS may differ by MLO.</p> <p>If the MLO agreed to the settlement terms, their license will be surrendered in the NMLS. This will be automatically processed through the NMLS.</p> <p>The NMLS entry on the account concerning the surrender will read as follows:</p> <ul style="list-style-type: none"> • Terminated – Surrendered/Cancelled <p>If the MLO signs the consent order by December 27, 2021 the surrender will be processed by the NMLS to reflect December 31, 2021.</p> <p>If the MLO signs the consent order after December 27, 2021 the order may have an effective date of January 15, 2022, which would delay the start of the MLO's three-month cooling-off period.</p>
	Additional Questions?	Email Contact: REES@dfpi.ca.gov