

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE PRINCIPAL CLERK

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HOUSE DRH40033-ROz-2 (12/10)

Short Title: Reduce Mortgage Lender Surety Bonds. (Public)

Sponsors: Representatives J. Bell and Jordan (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO REDUCE THE SURETY BOND REQUIREMENT FOR LICENSEES UNDER
3 THE SECURE AND FAIR ENFORCEMENT MORTGAGE LICENSING ACT (NC
4 S.A.F.E. ACT), AS RECOMMENDED BY THE LEGISLATIVE RESEARCH
5 COMMISSION STUDY COMMITTEE ON BANKING LAW AMENDMENTS.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.** G.S. 53-244.103 reads as rewritten:

8 "**§ 53-244.103. Surety bond requirements.**

9 (a) Each mortgage loan originator or transitional mortgage loan originator shall be
10 covered by a surety bond through employment with a licensee in accordance with this section.
11 The surety bond shall provide coverage for each mortgage loan originator or transitional
12 mortgage loan originator employed by the licensee in an amount as prescribed by subsection
13 (b) of this section and shall be in a form prescribed by the Commissioner. The Commissioner
14 may adopt rules with respect to the requirements for the surety bonds as needed to accomplish
15 the purposes of the Article.

16 (b) Licensees shall be required to post a surety bond with the Commissioner at
17 application to be subsequently adjusted as follows:

18 (1) A mortgage broker shall post a minimum surety bond of ~~seventy-five~~
19 ~~thousand dollars (\$75,000);~~ twenty-five thousand dollars (\$25,000).
20 Provided, however, if a mortgage broker has originated mortgage loans in
21 North Carolina in a 12-month period ending December 31 in excess of ~~ten~~
22 ~~million dollars (\$10,000,000);~~ twenty-five million dollars (\$25,000,000) but
23 less than ~~fifty million dollars (\$50,000,000);~~ one hundred million dollars
24 (\$100,000,000). then the mortgage broker's minimum bond amount shall be
25 ~~one hundred twenty-five thousand dollars (\$125,000);~~ seventy-five thousand
26 dollars (\$75,000), and if a mortgage broker has originated mortgage loans in
27 North Carolina in a 12-month period ending December 31 of ~~fifty million~~
28 ~~dollars (\$50,000,000);~~ one hundred million dollars (\$100,000,000) or more,
29 the mortgage broker's minimum bond shall be ~~two hundred fifty thousand~~
30 ~~dollars (\$250,000);~~ one hundred fifty thousand dollars (\$150,000).

31 (2) A mortgage lender or mortgage servicer shall post a minimum surety bond
32 of ~~one hundred fifty thousand dollars (\$150,000);~~ one hundred thousand
33 dollars (\$100,000). Provided, however, if a mortgage lender has originated
34 mortgage loans in North Carolina in a 12-month period ending December 31
35 in excess of ~~ten million dollars (\$10,000,000)~~ but less than ~~fifty million~~
36 ~~dollars (\$50,000,000),~~ then the mortgage lender's minimum bond amount



1 ~~shall be two hundred fifty thousand dollars (\$250,000), and if a mortgage~~
2 ~~lender has originated mortgage loans in North Carolina in a 12-month period~~
3 ~~ending December 31 of fifty million dollars (\$50,000,000) of one hundred~~
4 ~~million dollars (\$100,000,000) or more, then the mortgage lender's minimum~~
5 ~~bond shall be five hundred thousand dollars (\$500,000).one hundred fifty~~
6 ~~thousand dollars (\$150,000).~~

- 7 (3) Any increased surety bond required under subdivision (1) or (2) of this
8 subsection shall be filed with the Commissioner on or before May 31
9 immediately following the end of the 12-month December 31 period.

10 (c) The surety bond shall be in a form satisfactory to the Commissioner and shall run to
11 the State for the benefit of any claimants against the licensee to secure the faithful performance
12 of the obligations of the licensee under this Article. The aggregate liability of the surety shall
13 not exceed the principal sum of the bond. A party having a claim against the licensee may bring
14 suit directly on the surety bond, or the Commissioner may bring suit on behalf of any
15 claimants, either in one action or in successive actions. Consumer claims shall be given priority
16 in recovering from the bond. When an action is commenced on a licensee's bond, the
17 Commissioner may require the filing of a new bond. In this case, the licensee shall file a
18 replacement bond in the required amount within 30 days. Immediately upon recovery upon any
19 action on the bond the licensee shall file a new bond.

20 (d) In the Commissioner's discretion and upon written request of the licensee, the
21 Commissioner may waive the requirement of the bond for any licensee, if:

- 22 (1) The licensee has been licensed by the Commissioner for at least three years;
23 (2) The licensee can demonstrate a net worth, according to the most recent
24 ~~audited~~ financial statement, of at least ~~four times~~ the required bond amount,
25 and the licensee certifies that its net worth will be maintained at or above
26 this level at all times and agrees to notify the Commissioner and to secure an
27 appropriate bond in the event the net worth falls below this level;
28 (3) The Commissioner believes the licensee has a satisfactory history of
29 resolving complaints from consumers and responding to findings of
30 investigations or examinations by the Commissioner; and
31 (4) The Commissioner has no reason to believe the licensee will be unable to
32 resolve complaints, respond to examination or investigative findings, or
33 fulfill financial obligations under this Article.

34 (e) If the Commissioner has waived the bond requirement of a licensee based on
35 subsection (d) of this section, the Commissioner may summarily reinstate the bond requirement
36 on any licensee if the Commissioner has reason to believe the licensee no longer meets the
37 standards in subsection (d) of this section. In this event, the licensee shall submit a bond, as
38 required in subsection (b) of this section, within 30 days. Failure to submit a bond as directed
39 by the Commissioner shall be grounds for summary suspension."

40 **SECTION 2.** This act is effective when it becomes law.