

# Minnesota Enacts Mortgage Licensing Law

June 15, 2010

On May 15, 2010, the Governor of Minnesota signed into law the [Minnesota S.A.F.E. Mortgage Licensing Act of 2010](#) (Minnesota S.A.F.E. Act), which requires that mortgage loan originators be licensed by July 31, 2010, the act's effective date. In passing the law, Minnesota joins the other 49 states and the District of Columbia in enacting legislation that complies with the S.A.F.E. Act provisions of the [Housing and Economic Recovery Act of 2008](#), passed on July 30, 2008.

The federal S.A.F.E. Act "encourages" states to establish minimum standards for uniform license applications and reporting requirements for state-licensed loan originators, in an effort to standardize and more efficiently regulate the nationwide practice of mortgage loan origination. While it provides states with minimum standards, the federal S.A.F.E. Act does not preclude states from imposing tougher standards as long as those standards do not frustrate the purposes of the federal S.A.F.E. Act.

The Minnesota S.A.F.E. Act defines a "mortgage loan originator" (MLO) as "an individual who for compensation or gain or in the expectation of compensation or gain takes a residential mortgage loan application; or offers or negotiates terms of a residential mortgage loan." Loan processors and underwriters are not considered MLOs, and are prohibited from advertising that they will do anything only an MLO is allowed to do. Applicants for a license [must pass a written test](#) and must submit to a background check by the Federal Bureau of Investigation (FBI).

[Disputes remain](#) concerning how the federal government will determine whether states are complying with the federal S.A.F.E. Act, so we can expect further developments on this issue in the coming months.