

Financial Advisors – Transition Period to Obtain a Mortgage Loan Originator License

Pursuant to Act 85 of 2012 a “mortgage loan originator” includes an individual who “recommends, refers, or steers a borrower to a particular lender or set of residential mortgage loan terms, in accordance with a duty to or incentive from any person other than the borrower or prospective borrower; and . . . receives or expects to receive payment of money or anything of value in connection with [such] activities. . . .” 8 V.S.A. §2200 (17)(C)(i)(III), (C)(ii).

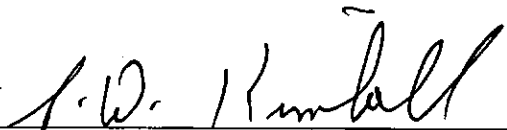
The Department previously informed certain securities companies (“Company”) that financial advisors did not fit within the definition of a mortgage loan originator and did not need to obtain a mortgage loan originator license. The Department withdraws its prior comments in light of the changes brought about by Act 85.

Financial advisors occasionally refer a client interested in a residential mortgage loan to an affiliated lender. The financial advisor is compensated by the Company if the client obtains a loan from the affiliated lender. A financial advisor who recommends, refers, or steers a client seeking a residential mortgage loan to a lender for compensation or gain or in the expectation of compensation or gain must now be licensed as a mortgage loan originator and sponsored by a Vermont licensed mortgage broker or a Vermont licensed lender.

Providing Companies and financial advisors time to adjust to the requirements of Act 85 without creating an undue hardship for Companies, financial advisors, or their clients is necessary and appropriate to the administration of 8 V.S.A. Chapter 73. See 8 V.S.A. §15. The attached order provides the following transition period:

(1) Prior to December 31, 2012 a financial advisor who: (a) is employed by a Company holding a Vermont mortgage broker or lender license; and (b) limits his or her mortgage loan originator activity to recommending, referring, or steering a client seeking a residential mortgage loan to an affiliated lender in exchange for compensation or gain or in the expectation of compensation or gain, does not need to be licensed as a Vermont mortgage loan originator.

(2) On and after January 1, 2013 a financial advisor who recommends, refers, or steers a client seeking a residential mortgage loan to a lender for compensation or gain or in the expectation of compensation or gain must have an individual Vermont mortgage loan originator license and must be employed and sponsored by a Vermont licensed mortgage broker or a Vermont licensed lender.


Stephen W. Kimbell, Commissioner
Vermont Department of Financial Regulation