

# Rhode Island Surety Bond and Minimum Net Worth Requirements for Mortgage Loan Originators

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On November 5, 2010, the Division of Banking of the Rhode Island Department of Business Regulation (the "DBR") introduced Banking Regulation 6 entitled "Surety Bond and Minimum Net Worth Pursuant to the Secure and Fair Enforcement Mortgage Licensing Act of 2009". The purpose of the proposed regulation (known as "BR 6"), is to set forth the requirements for Mortgage Loan Originators to comply with R.I.G.L. § 19-14.10-14 entitled "Surety Bond Required", and R.I.G.L. § 19-14.10-14(e) the minimum net worth requirements for Mortgage Loan Originators. BR 6 does provide for the fulfillment of Surety Bond requirements for Mortgage Loan Originators who are employees of Rhode Island licensed lenders and loan brokers by utilizing the Surety Bond of the licensed lender or loan broker with certain conditions. With respect to Minimum Net Worth requirements, however, Mortgage Loan Originators are required to maintain those requirements individually, and may not utilize the net worth of their employers.

Section 5 of BR 6 provides that Mortgage Loan Originator applicants are required to file Surety Bonds with the DBR in the amount of at least \$10,000 for Mortgage Loan Originators that originate between \$1 dollar and \$10 million dollars annually, or Surety Bonds in the amount of at least \$15,000 for Mortgage Loan Originators that originate greater than \$10 million dollars annually. The calculation shall be based upon the volume of Rhode Island mortgage loans that the Mortgage Loan Originator's originated for the year ending December 31 that precedes the effective year of the license. The amount of the Surety Bond shall be adjusted as of December 31 of each year, and the DBR reserves the right to require a larger Surety Bond. As stated above, Mortgage Loan Originators who are employees of Rhode Island licensed lenders or loan brokers may fulfill the Surety Bond requirement by submitting the Surety Bond of the lender or loan broker employer. The lender or loan broker must ensure that the amount of the Surety Bond is sufficient to cover the volume of loans attributable to each employed Mortgage Loan Originator, as well as the amounts required due to the total loan volume for the licensed lender or loan broker.

The DBR has opined that Minimum Net Worth requirements protect consumers by helping to establish that the Mortgage Loan Originator is financially stable. Section 6 of

BR 6, entitled “Minimum Net Worth”, states that "an applicant for a new license" must demonstrate Minimum Net Worth of \$10,000 for annual volume of Rhode Island loans originated in an amount up to \$10 million dollars or \$25,000 for annual volume of Rhode Island loans originated in an amount greater than \$10 million dollars. The calculation will be based upon the volume of Rhode Island mortgage loans originated by the Mortgage Loan Originator for the year ending December 31. The Minimum Net Worth shall be continuously maintained, and the DBR may waive or modify the Minimum Net Worth requirement upon presentation of written evidence supporting such waiver or modification. We believe the DBR's intention is that this section will apply to all Mortgage Loan Originators (not just "new" Mortgage Loan Originators).

Written or oral comments on proposed “BR 6” may be submitted by December 7, 2010 to Neena Sinha Savage, Department of Business Regulation, 1511 Pontiac Avenue, Building 68-1, Cranston, RI 02920 or by email to [NSSVG1@dbr.ri.gov](mailto:NSSVG1@dbr.ri.gov). A public hearing to consider the proposed adoption of BR 6 shall be held on December 7, 2010 at 9:30 a.m. at the above address.

**[Click here for a copy of the Public Notice and Proposed Banking Regulation 6](#)**