

New Rules Update

William Purce

Director of Mortgage Regulation



DEPARTMENT OF
**SAVINGS AND
MORTGAGE LENDING**

HECTOR RETTA, COMMISSIONER

Overview and Effective Dates

Rule Chapters Affected

- Chapter 78 – Wrap Mortgage Loans
- Chapter 79 – Residential Mortgage Loan Servicers
- Chapter 80 – Residential Mortgage Loan Companies
- Chapter 81 – Mortgage Bankers and Residential Mortgage Loan Originators (RMLO)

Reorganization Changes

- Reorganization of Chapters 78-81 into New Chapters 56-59
- Reorganization of RMLO rules from Chapter 81 into New Chapter 55

STATUTE

RULES

Finance Code Chapters 157 and 180
(Residential Mortgage Loan Originators)



Chapter 55, Residential Mortgage Loan Originators

Finance Code Chapter 156
(Mortgage Companies)



Chapter 56, Mortgage Companies

Finance Code Chapter 157
(Mortgage Bankers)



Chapter 57, Mortgage Bankers

Finance Code Chapter 158
(Mortgage Servicers)



Chapter 58, Mortgage Servicers

Finance Code Chapter 159
(Wrap Mortgage Loans)



Chapter 59, Wrap Mortgage Loans

Structure of the Rules

The new rules are structured into four components:

1. General Provisions
2. Licensing or Registration
3. Duties and Responsibilities
4. Supervision and Enforcement

General Provisions Section of the Rules

The General Provisions section of the new rules (same for all rules) includes:

1. Definitions (new definitions)
2. Formatting requirements for notices or disclosures
 - Readable font size – 12-point font unless otherwise required by other law
 - Readable font type – A list of readable font types is provided (not exhaustive)
 - Typographical emphasis (bolded, underlined, all caps) must match model disclosures
3. Authorization for electronic signatures (if compliant with UETA and E-Sign Act)
4. Computation of Time Requirement
 - Similar to the Code Construction Code definition - Tex. Gov't Code §311.014
 - First day is excluded and the last day is included
 - If the last day of any period is a Saturday, Sunday, or legal holiday, the period is extended to include the next day that is not a Saturday, Sunday, or legal holiday.

Licensing and Registration Section

The Licensing and Registration section of the new rules includes:

1. the general licensing requirement for the license or registration;
2. application requirements;
3. the NMLS and SML fee structure;
4. the renewal process for the license or registration;
5. the NMLS license record (license status and amendments) and notification requirements;
6. the conditional license requirements (originator and mortgage company);
7. the surrender of license or registration requirements;
8. the surety bond requirement (mortgage servicer only);
9. the sponsorship of originators requirements (mortgage company and mortgage banker only); and
10. The qualified individual requirements (mortgage company only).

Licensing and Registration Section (Cont.)

The Licensing section for mortgage loan originators includes:

1. the pre-licensing and continuing education requirements for an originator;
2. the temporary authority requirements for an originator;
3. the expedited review process for military service members, military veterans, and military spouses (mortgage loan originator only);
4. the background check requirements (criminal, credit, and regulatory) for originators; and
5. the process, requirements, and procedure for a criminal history eligibility determination.

Duties and Responsibilities

The Duties and Responsibilities section of the Rules include:

1. the required disclosures for the license/registration type;
2. the conditional pre-qualification and conditional approval letter requirements (mortgage companies and mortgage bankers only);
3. what actions or conduct constitutes fraudulent, misleading, or deceptive practices and improper dealings (mortgage companies and mortgage bankers only);
4. the advertising requirements and restrictions (mortgage companies and mortgage bankers only);
5. the books and records requirements (mortgage companies and mortgage bankers only);
6. the mortgage call report requirements (mortgage companies and mortgage bankers only);
7. the administrative office, branch location, and remote work requirements (mortgage companies and mortgage bankers only);
8. the requirements for a periodic statement (mortgage banker and mortgage servicer); and
9. the reportable incidents requirements (mortgage companies, mortgage bankers, and mortgage servicers).

Examination and Supervision

The Examination and Supervision Section of the Rules include:

1. the examination/investigation process and requirements (mortgage companies and mortgage bankers);
2. the investigation process and requirements;
3. the confidentiality requirements of examination/inspection and investigation information;
4. the corrective action process:
 - self-review of records if a systemic violation;
 - proper refunding method for making restitution to consumers; and
 - the record-keeping requirements for restitution;
5. the unclaimed funds requirements;
6. the appeals process for an action against the license/registration; and
7. the hearings process for a disciplinary action.

Effective Dates

- The effective date of the new rules is around November 24, 2024, except for the following rules:
 - General Licensing Rule for Mortgage Companies [7 TAC § 56.100] pertaining to the exemption for seller-financed sales transactions;
 - Mortgage Call Reports Rules [7 TAC § 56.205 and 7 TAC § 57.205] requiring submission of the state-specific supplemental form (SSSF) for mortgage companies and mortgage bankers that have designated the business activity for third-party mortgage loan processing and third-party mortgage loan underwriting in NMLS; and
 - Surety Bond for Residential Mortgage Loan Servicers [7 TAC § 58.107] requiring the use of an electronic surety bond filed in NMLS.



DEPARTMENT OF
**SAVINGS AND
MORTGAGE LENDING**

HECTOR RETTA, COMMISSIONER

Notable Changes for Mortgage Loan Originators

General Licensing Requirements for an Originator

§55.100(a)(6) – clarifying when a mortgage originator license is required for a loan processor or underwriter

An individual working for a mortgage company licensed by SML or a mortgage banker registered with SML, whose compensation for federal income tax purposes is not reported on a W-2 form (e.g., a self-employed worker who is issued an IRS Form 1099-NEC), that acts as a loan processor or underwriter, is deemed to be an independent contractor loan processor or underwriter for purposes of Finance Code §180.051(b) and must be licensed as an originator. All individuals working for a mortgage company that is an independent loan processor underwriter company, regardless of how their income is documented (including W-2 employees), who act as a loan processor or underwriter or otherwise perform work in connection with the provision of loan processing or underwriting services by the company, are deemed to be independent contractors for purposes of Finance Code §180.051(b) and must be licensed as an originator.

Number of Permissible Sponsorships

§55.107(b) – clarifying sponsorship requirements for residential mortgage loan originators

(b) Number of Sponsorships. An originator may be sponsored by more than one mortgage company or mortgage banker if:

- (1) the originator clearly identifies to the mortgage applicant the sponsoring entity or entities on whose behalf the originator is acting prior to taking an application;
- (2) the application clearly states the sponsoring entity on whose behalf the originator is acting (e.g., in the "Loan Originator Information" section of the Fannie Mae 1003 Uniform Residential Loan Application). The mortgage applicant may apply with more than one sponsoring entity, provided, there are separate applications for each such entity that clearly identifies the sponsoring entity to which the application was submitted;
- (3) the authorization forms, disclosures, loan estimates, pre-qualification letters, conditional approval letters, closing disclosures, and other materials provided to the mortgage applicant clearly identify the mortgage company or mortgage banker providing residential mortgage loan origination services in the transaction;
- (4) the originator does not misrepresent or misconstrue to the mortgage applicant the mortgage company or mortgage banker providing residential mortgage loan origination services in the transaction;
- (5) the originator discloses to his or her sponsoring entities the existence the originator's multiple sponsorships;
- (6) the originator does not steer the mortgage applicant to a sponsoring entity offering terms less favorable to the mortgage applicant and that might have the effect of increasing the originator's compensation; and
- (7) the originator is only compensated for services actually performed and does not share or split any fee.

Required Education Requirement

§55.108(b) – clarifying lapsing of pre-licensing education and examination

An applicant other than a current license holder seeking renewal under §55.103 of this title (relating to Renewal of the License; i.e., an individual seeking a new license) must have completed the required pre-licensing education and coursework described by subsection (a) within the 3 years preceding the date of application; otherwise, the applicant must take the pre-licensing education and coursework approved and offered at the time of the application. Additionally, if an applicant for a new license did not pass the National Component with Uniform State Content examination approved by NMLS on after April 1, 2013, the applicant must pass the current pre-licensing examination approved by NMLS in order to satisfy the requirements of Finance Code §180.057 (examinations taken prior to April 1, 2013, will not satisfy such requirements).

Temporary Authority

§55.109(d) – clarifying the requirements of temporary authority, including the maximum duration of temporary authority

Maximum Duration. Pursuant to Finance Code §180.0511, the maximum duration for temporary authority is 120 days. When an originator has received the cumulative benefit of 120 days of temporary authority, no further temporary authority is allowed. An originator acting under temporary authority who has exceeded the 120-day maximum duration will have his or license status conferring temporary authority removed. An individual making an application for licensure who previously received the benefit of 120 days of temporary authority will not be conferred temporary authority status.

Education Fraud

§55.202(e) – clarifying the fraudulent, misleading or deceptive practices and improper dealings to include education fraud

Education Fraud. The following conduct in connection with pre-licensing education or examination, or continuing education required by §55.108 of this title (relating to Required Education) constitutes a false or deceptive statement or representation for purposes of Finance Code §180.153(11) and a false statement or omission of material fact for purposes of Finance Code §180.153(12):

- (1) claiming credit for a pre-licensing education course, pre-licensing examination, or continuing education course the individual did not actually take; or
- (2) taking a pre-licensing education course, pre-licensing examination, or continuing education course on behalf of another individual.



DEPARTMENT OF
**SAVINGS AND
MORTGAGE LENDING**

HECTOR RETTA, COMMISSIONER

Notable Changes for Mortgage Companies/Bankers

Mortgage Companies and Mortgage Bankers: Subchapter B: Licensing / Registration

§56.100 Licensing Requirements

- Subsection (a)(1) establishes the general licensing requirements for a mortgage company.
- Subsection (a)(2) clarifies that a license is required to receive compensation for mortgage loan origination business
- Subsection (c) (Securing the Services of an Originator) clarifies that a lender is not required to have a license if the lender secures the services of a licensed mortgage company or registered mortgage banker except when the transaction is made by a lender for a seller-financed transaction, a wrap mortgage loan, or secondary mortgage loan

§57.100 Registration Requirements

- Subsection (a)(1) establishes the general registration requirements for a mortgage banker.
- Subsection (a)(2) clarifies that a registration is required to receive compensation for mortgage loan origination business

Mortgage Companies and Mortgage Bankers: Subchapter B: Licensing / Registration

§56.101 Applications for Licensure / §57.101 Applications for Registration

- Subsection (a) provides that the licensing checklists published by SML on the NMLS website (“State Licensing Requirements”) must be used in making an application
- Subsection (c) clarifies that an application may be withdrawn for failure to pay the required fee

Mortgage Companies and Mortgage Bankers: Subchapter B: Licensing / Registration

§56.102 Fees

- Subsection (a) clarifies that license fees are exclusive of the fees charged by NMLS
- Subsection (a) provides that a fee decrease is effective immediately
- Subsection (d) clarifies that an applicant/licensee may be assessed a fee up to \$50 for a failed ACH payment

§57.102 Fees

- Subsection (a) clarifies that registration fees are exclusive of the fees charged by NMLS
- Subsection (a) clarifies that a fee decrease is effective immediately

Mortgage Companies and Mortgage Bankers: Subchapter B: Licensing / Registration

§56.103 Renewal of the License

- Subsection (a)(2) includes statutory references to minimum requirements to renew
- Subsection (b) clarifies that a renewal request is a license application subject to the requirements of §56.101
- Subsection (c) provides that a license approved with a deficiency is a conditional license and requires that the deficiency be resolved within 30 days
- Subsection (d) clarifies that the rule's requirements apply to a request for renewal during the reinstatement period and further clarifies that an application beyond the reinstatement period is treated as an application for a new license

§57.103 Renewal of the Registration

- Subsection (a)(2) includes statutory references to minimum requirements to renew
- Subsection (b) clarifies that a renewal request is a registration application subject to the requirements of §57.101
- Subsection (c) provides that a registration approved with a deficiency requires that the deficiency be resolved within 30 days
- Subsection (d) clarifies that the rule's requirements apply to a request for renewal during the reinstatement period and further clarifies that an application beyond the reinstatement period is treated as an application for a new registration

Mortgage Companies and Mortgage Bankers: Subchapter B: Licensing / Registration

§56.105 Conditional License

- Subsection (a) includes possible terms and conditions for a conditional license
- Subsection (b) provides that a license subject to a probated suspension or revocation is a conditional license
- Subsection (c) clarifies the Commissioner's authority to issue a conditional license in lieu of denial

Mortgage Companies and Mortgage Bankers: Subchapter B: Licensing / Registration

§56.106 Surrender of the License / §57.106 Surrender of the Registration

- The section clarifies SML's authority not to grant a surrender request
- Subsection (a) clarifies reasons why a request to surrender the license/registration may not be granted (e.g. pending exam, violation of an order or other action, failure to pay an amount owed to SML, and failure to file mortgage call reports)
- Subsection provides that a license/registration will be assigned an inactive status if the request is not immediately granted

Mortgage Companies and Mortgage Bankers: Subchapter B: Licensing / Registration

§56.107 Sponsorship of Originator; Responsibility for Originator's Actions / §57.107 Sponsorship of Originator; Responsibility for Originator's Actions

- Subsection (b) clarifies a mortgage company or mortgage banker is responsible the actions of its sponsored originators
- Subsection (d) clarifies that the license/registration will revert to an inactive status if the mortgage company or mortgage banker does not maintain sponsored originators to act on its behalf

Mortgage Companies and Mortgage Bankers: Subchapter B: Licensing / Registration

§56.108 Qualified Individual

- Subsection (a) provides that the contact information for the QI listed by the mortgage company in its MU1 must match the principal address of the mortgage company

Mortgage Companies and Mortgage Bankers: Subchapter C: Duties and Responsibilities

§56.200 Required Disclosures

- Subsection (b) revises the mortgage company disclosure form under Finance Code §156.004 adopted by rule
- Subsection (b) clarifies that the disclosure may be signed and dated by the originator
- The consumer complaint notice is reduced from two paragraphs to one
- Subsection (c) provides that the consumer complaint notice required for posting on websites be in the form posted on SML's website
- The rule removes the requirement to post the consumer complaint notice on social media sites
- Subsection (d) requires that correspondence sent to the mortgage applicant must include the mortgage company's website address

§57.200 Required Disclosures

- Subsection (b) revises the mortgage banker disclosure form under Finance Code §157.0021 adopted by rule
- Subsection (b) provides that the disclosure may be signed and dated by the originator
- The complaint notice is reduced from two paragraphs to one
- Subsection (c) provides that the consumer complaint notice required for posting on websites be in the form posted on SML's website
- The rule removes the requirement to post the consumer complaint notice on social media sites
- Subsection (d) requires that correspondence sent to the mortgage applicant must include the mortgage company's website address
- Subsection (e) provides that the servicer disclosure required by §157.0021(b) must be in the form posted on SML's website

Mortgage Companies and Mortgage Bankers: Subchapter C: Duties and Responsibilities

Figure: 7 TAC §56.200(b)

TEXAS MORTGAGE COMPANY DISCLOSURE

Pursuant to Texas Finance Code Section 156.004, you are notified of the following:

- We will either submit your loan application to a participating lender or make your loan ourselves. In connection with this mortgage loan, we are acting as an independent contractor and not as your agent.
- We will be compensated in compliance with the federal Truth in Lending Act and Regulation Z (see 12 C.F.R. § 1026.36(d)) (if applicable).

CONSUMERS WISHING TO FILE A COMPLAINT AGAINST A MORTGAGE COMPANY OR RESIDENTIAL MORTGAGE LOAN ORIGINATOR LICENSED IN TEXAS, OR TO FILE A CLAIM AGAINST A RESIDENTIAL MORTGAGE LOAN ORIGINATOR LICENSED IN TEXAS SHOULD SEND A COMPLETED COMPLAINT FORM OR CLAIM APPLICATION TO THE DEPARTMENT OF SAVINGS AND MORTGAGE LENDING (SML): 2601 N. LAMAR BLVD., SUITE 201, AUSTIN, TEXAS 78705; TEL: 1-877-276-5550. INFORMATION AND FORMS ARE AVAILABLE ON SML'S WEBSITE: SML.TEXAS.GOV.

ISSUED BY:

Residential Mortgage Loan Originator: _____

NMLS ID: _____

Figure: 7 TAC § 57.200(b)

TEXAS MORTGAGE BANKER DISCLOSURE

Pursuant to Texas Finance Code Section 157.0021, you are notified of the following:

CONSUMERS WISHING TO FILE A COMPLAINT AGAINST A MORTGAGE BANKER OR RESIDENTIAL MORTGAGE LOAN ORIGINATOR LICENSED IN TEXAS, OR TO FILE A CLAIM AGAINST A RESIDENTIAL MORTGAGE LOAN ORIGINATOR LICENSED IN TEXAS SHOULD SEND A COMPLETED COMPLAINT FORM OR CLAIM APPLICATION TO THE DEPARTMENT OF SAVINGS AND MORTGAGE LENDING (SML): 2601 N. LAMAR BLVD., SUITE 201, AUSTIN, TEXAS 78705; TEL: 1-877-276-5550. INFORMATION AND FORMS ARE AVAILABLE ON SML'S WEBSITE: SML.TEXAS.GOV.

ISSUED BY:

Residential Mortgage Loan Originator: _____

NMLS ID: _____

Mortgage Companies and Mortgage Bankers: Subchapter C: Duties and Responsibilities

§56.201. Conditional Pre-Qualification and Conditional Approval Letters / §57.201. Conditional Pre-Qualification and Conditional Approval Letters

- Subsection (d) provides that a conditional prequalification letter or conditional approval letter must be issued and signed by the mortgage company/banker's sponsored originator acting on behalf of the mortgage company/banker to originate the prospective residential mortgage loan.

Mortgage Companies and Mortgage Bankers: Subchapter C: Duties and Responsibilities

§56.202 Fraudulent, Misleading, or Deceptive Practices / §57.202

Fraudulent, Misleading, or Deceptive Practices

- Subsection (a)(4) prohibits misrepresentations concerning lien position
- Subsection (a)(9) prohibits the improper use of trigger leads
- Subsection (b)(2) clarifies additional state and federal law required for compliance
- Subsection (b)(3) prohibits solicitation of consumer on the do-not-call list
- Subsection (b)(4) prohibits the issuance of erroneous conditional pre-qualification or conditional approval letters
- Subsection (b)(7) considers it an improper practice to use an originator in an inactive status
- Subsection (b)(8) considers it an improper practice to use a loan processing company in an inactive status

Mortgage Companies and Mortgage Bankers: Subchapter C: Duties and Responsibilities

§56.203 Advertising / §57.203 Advertising

- Subsection (a) includes new definitions for “team logo” and “team name”
- Subsection (b) provides that advertisements must comply with state and federal law (Regulation N and Z)
- Subsection (c)(2) requires advertisements to include the website address of the mortgage company/banker
- Subsection (e) allows for the required information on advertisements on social to be placed on the profile page rather than on each post
- Subsection (f) allows for the use of team names in an advertisement provided certain requirements are met

Mortgage Companies and Mortgage Bankers: Subchapter C: Duties and Responsibilities

§56.204 Books and Records / §57.204 Books and Records

- Mortgage Transaction log – adds the following information to the current mortgage transaction log:
 - Application/loan identification number assigned by the mortgage company
 - Loan identification number assigned by the lender, if different than the mortgage company identification number
 - Address of the subject property
 - Interest rate
 - Loan product (conventional, FHA, VA, reverse); and
 - Closing date

Required Elements for a Mortgage Transaction Log

- full name of each mortgage applicant (last name, first name);
- application/loan identification number assigned by the mortgage company;
- loan identification number assigned by the lender, if different than subparagraph (B) of this paragraph;
- date of the initial loan application;
- address of the subject property (street address, city, state, zip code);
- interest rate;
- description of the purpose for the loan (e.g., purchase, refinance, construction, home equity, home improvement, land lot loan, wrap mortgage loan, etc.);
- loan product (conventional, FHA, VA, reverse, etc.);
- full name of the lender that initially funded or acquired the loan and their NMLS ID, if applicable;
- full name of the originator who took the initial loan application and his or her NMLS ID;
- closing date;
- lien position (e.g., first lien, second lien, or wrap mortgage);
- description of the owner's or prospective owner's intended occupancy of the real estate secured or designed to be secured by the loan (e.g., primary residence (including real estate (land lot) or a dwelling not suitable for occupancy at the time the loan is consummated but that the owner intends to occupy as their primary residence after consummation of the loan), secondary residence, or investment property (no intent to occupy as their residence)); and
- description of the current status or disposition of the loan application (e.g., in-process, withdrawn, closed, or denied);

Mortgage Banker 7 TAC §57.204(c)(1)

Mortgage Company 7 TAC §56.204(c)(1)

Mortgage Companies and Mortgage Bankers: Subchapter C: Duties and Responsibilities

§56.204 Books and Records / §57.204 Books and Records

- Truth-in-Lending disclosures for home equity lines of credit transactions
 - Account-opening disclosure
 - Early disclosure statement
 - Home Equity Line of Credit Brochure
- Home Equity Loans
 - Any discount point acknowledgement form used by the lender to substantiate that the discount points are bona fide
 - Texas Home Equity Affidavit and Agreement
 - Texas Home Equity Line of Credit Agreement or repayment agreement

Mortgage Companies and Mortgage Bankers: Subchapter C: Duties and Responsibilities

§56.204 Books and Records / §57.204 Books and Records

- If conducting third-party loan processing and underwriting services, a loan processing and underwriting log
- FTC's Standards for Safeguarding Customer Information rule was added to the list of other records required
- Records required for corrective action and unclaimed funds

Required Elements for a Processing / Underwriting Transaction Log

full name of each mortgage applicant (last name, first name);

application/loan identification number assigned by the mortgage company;

application/loan identification number assigned by the mortgage company or mortgage banker to which the mortgage company is providing loan processing or underwriting services, if different than paragraph (2) of this

loan identification number assigned by the lender, if different than paragraphs (2) or (3) of this subsection;

address of the subject property (street address, city, state, zip code);

full name and NMLS ID of the mortgage company or mortgage banker to which the mortgage company is providing loan processing or underwriting services;

the name, NMLS ID, and employment status (e.g., W-2 or 1099) of each individual loan processor or underwriter performing loan processing or underwriting services on behalf of the mortgage company;

closing date;

description of the owner's or prospective owner's intended occupancy of the real estate secured or designed to be secured by the loan (e.g., primary residence (including real estate (land lot) or a dwelling not suitable for occupancy at the time the loan is consummated but that the owner intends to occupy as their primary residence after consummation of the loan), secondary residence, or investment property (no intent to occupy as their residence));

description of the current status or disposition of the loan application (e.g., in-process, withdrawn, closed, or denied);

dollar amount invoiced, assessed, charged, collected, and/or paid by the mortgage applicant for the loan processing or underwriting services provided by the mortgage company; and

description of whether the fee for the loan processing or underwriting services was included on the Closing Disclosure as a fee paid directly to the mortgage company at closing (e.g., on CD, or not on CD).

Mortgage Banker 7 TAC §57.204(d)

Mortgage Company 7 TAC §56.204(d)

Mortgage Companies and Mortgage Bankers: Subchapter D: Supervision and Enforcement

§56.300 and §57.300 Examinations

- Requiring the use of the State Examination System
- Establishing authority to accept and leverage examinations conducted by other states accredited by CSBS

§56.301 and §57.301 Investigations

Clarifying requirements related to investigations conducted by SML (primarily related to consumer complaints)

§56.302 and §57.302 Confidentiality of Examination, Investigation, and Inspection

Expanding upon authority of the records as confidential including that corrective action taken by a regulated entity within the scope of an examination, inspection, or investigation is confidential

Mortgage Companies and Mortgage Bankers: Subchapter D: Supervision and Enforcement

§56.303 and §57.303 Corrective Action

- Clarifying the types of corrective actions SML may direct the regulated entity to take arising from an examination, investigation, or inspection (self-review of records)
- Proper handling of the payment of refunds to the consumer (e.g. certified funds, corporate checks, wire transfers, ACHs, and account credits)

§56.304 and §57.304 Unclaimed Funds

Clarifying the handling of unclaimed funds

§56.310 and §57.310 Appeals

Clarifying the deadlines to file appeals of SML enforcement actions

§56.311 and §57.311 Hearings

Clarifying requirements related to adjudicative hearings



DEPARTMENT OF
**SAVINGS AND
MORTGAGE LENDING**

HECTOR RETTA, COMMISSIONER

Mortgage Call Reports

Mortgage Companies and Mortgage Bankers: Subchapter C: Duties and Responsibilities

§56.205 Mortgage Call Reports / §57.205 Mortgage Call Reports

- Subsection (c) clarifies components of the MCR, including the State-Specific Supplemental Form that are required (mandatory completion of the SSSF will not be required until 1st Quarter of Calendar Year 2026)
- Subsection (e) clarifies that the Commissioner may grant a written extension of time to file a mortgage call report
- Subsection (f) clarifies that MCRs must be complete and accurate

Mortgage Companies and Mortgage Bankers: Subchapter C: Duties and Responsibilities

§56.205 Mortgage Call Reports / §57.205 Mortgage Call Reports

- For mortgage companies (including independent contractor loan processor and underwriter companies) and mortgage bankers that have designated or should have designated a business activity of either third-party mortgage loan processing or third-party mortgage underwriting, the “Licensed Processor and Underwriters” section of the State-Specific Supplemental Form (SSSF) will be required for transactions during the 1st Quarter of calendar year 2026 (January 1, 2026).
- The required information is shown in the next two slides.

Mortgage Companies and Mortgage Bankers: State-Specific Supplemental Form

Licensed Processors and Underwriters		
<i>Enter the type of action taken on applications during the period.</i>		
Data Format:		
Amount (\$ US Dollars) - Positive dollar amount to the nearest dollar. Do not enter \$, commas or decimals.		
Count (#) - Positive whole number. Do not enter any symbols.		
SF600	Applications In Process at Beginning of Quarter	Number of applications assigned by a third-party entity for processing or underwriting that were outstanding at the end of the previous period.
SF610	Applications Received for Processing/Underwriting During the Quarter	Applications you received during the period from a third-party entity for processing or underwriting. These applications are contracted to be returned to the third-party entity for a lending decision.
SF620	Applications Returned to Creditor, Incomplete	All assigned applications returned to the originating third-party entity because the processor or underwriter could not complete the processing or underwriting due to a non-responsive borrower.
SF630	Net Changes in Application Amount	Any changes to the loan amount that occurred while the loan was assigned to you by a third-party entity for processing or underwriting. This entry must be expressed as a positive or negative adjustment. This line only allows changes to the application amount.

Mortgage Companies and Mortgage Bankers: State-Specific Supplemental Form

Item #	Name	Definitions and Instructions
SF640	Other Changes to Applications	Any other changes, directed by the assigning third party entity not meeting the definition in SF630
SF650	Applications Processed/Underwritten, Completed	All assigned applications, which were returned to the originating third party entity as complete and ready for the third party entity to render a lending decision.
SF660	Applications In Process at End of Quarter	Number of applications assigned by a third-party entity for processing or underwriting outstanding at the end of the period.



DEPARTMENT OF
**SAVINGS AND
MORTGAGE LENDING**

HECTOR RETTA, COMMISSIONER

Team Names

Definitions of Team Logo and Team Name

- "Team logo" means a logo, symbol, or other graphic used to identify the group using a team name.
- "Team name" means a name other than the mortgage banker's legal name or a properly registered assumed name typically used by a geographically or administratively distinct group of employees working for the mortgage company/banker as a division or team within the larger organization (e.g., the employees of a branch office).
 - See 7 Tex. Admin. Code §§ 56.203 and 57.203

Permitted Use of Team Names

- Team names and team logos are permitted for advertising purposes only. A team name or team logo may not be used to conduct residential mortgage loan origination business.
- The mortgage company/banker's legal name or an assumed name of the mortgage company/banker and its NMLS ID must be used with the team name or team logo, in substantially equivalent prominence, and must be connected with an explanatory word or phrase that clearly links the two (e.g., "(team name) of (mortgage company name and NMLS ID)" or "(team name) powered by (mortgage company name and NMLS ID)").
- The use of graphics, shading, or coloration is prohibited if it obscures, deemphasizes, or masks the appearance of the mortgage company/banker's name and NMLS ID.
- If a team logo is used, it must be used with the team name, unless the team name is contained in the team logo, and if so, the team logo may be used without the team name.
 - See 7 Tex. Admin. Code §§ 56.203(f) and 57.203(f)



DEPARTMENT OF
**SAVINGS AND
MORTGAGE LENDING**

HECTOR RETTA, COMMISSIONER

Trigger Leads

Definition of Trigger Lead

- "Trigger lead" means information concerning a consumer's credit worthiness (consumer report) compiled by a credit reporting agency (consumer reporting agency), obtained in accordance with the federal Fair Credit Reporting Act (15 U.S.C. §1681b(c)(1)(B)) that is not initiated by the consumer but, instead, is triggered by an inquiry to a consumer reporting agency in response to an application for credit initiated by the consumer in a separate transaction.
- The term does not include a consumer report obtained by a mortgage company licensed by SML or a mortgage banker registered with SML in response to an application for credit made by a consumer with that mortgage company or mortgage banker or that is otherwise authorized by the consumer.
 - See 7 Tex. Admin. Code §§ 55.2(19), 56.2(23), and 57.2(21)

Trigger Lead

If a trigger lead is used by a mortgage company, mortgage banker, or a sponsored originator, the initial communication (advertisement or solicitation) to the consumer must include:

- the originator's name and NMLS ID;
- name of the mortgage company/mortgage banker and its NMLS ID;
- a brief explanation of how the originator or his or her sponsoring mortgage company or mortgage banker obtained the consumer's contact information to make the communication (i.e., an explanation of trigger leads);
- a statement that the originator and his or her sponsoring mortgage company/mortgage banker is not affiliated with the creditor to which the consumer made the credit application that resulted in the trigger lead;
- an explanation that the purpose of the communication is to solicit new business for the mortgage company or mortgage banker; and
- a firm offer of credit compliant with the Fair Credit Reporting Act and [Regulation V, 12 C.F.R. § 1022.54](#).

Firm Offer of Credit

- A “firm offer of credit” is an offer of credit or insurance that “will be honored if the consumer is determined, based on information in a consumer report on the consumer, to meet the specific criteria used to select the consumer for the offer.”
- Short and long notices are required by [Regulation V, 12 C.F.R. §1022.54\(c\)](#)
- Model forms for Firm Offers of Credit or Insurance found in [Appendix D to Part 1022](#)

Opt-Out of Firm Offers of Credit

- A consumer can opt-out of trigger leads and other prescreen offers for free for a five-year pause or a permanent opt-out by:
 - Calling the toll-free number 888-5-OPT-OUT (888-567-8688)
 - Emailing: [OptOutPrescreen.com](https://www.OptOutPrescreen.com)
- It may take five days for the opt-out to become effective.

Fraudulent, Misleading, or Deceptive Practices Trigger Leads

§56.202 Fraudulent, Misleading, or Deceptive Practices / §57.202 Fraudulent, Misleading, or Deceptive Practices

- It is a misleading or deceptive practice for an originator, mortgage company or mortgage banker to:
 - fail to provide the required information in the initial communication to the consumer for a trigger lead (see slide 50);
 - contact a consumer who has opted out of prescreened offers of credit; or
 - fail to make a firm offer of credit in the initial communication with the consumer.
- It is an improper practice to solicit by phone a consumer who has placed his or her contact information on the national do-not-call registry maintained by the Federal Trade Commission.



DEPARTMENT OF
**SAVINGS AND
MORTGAGE LENDING**

HECTOR RETTA, COMMISSIONER

Reportable Incidents

Definition of a Reportable Incident

- "Reportable incident" means an incident or situation that presents a material risk, financial or otherwise, to a mortgage entity's operations or its customers. A reportable incident includes the following items, provided, it presents a material risk:
 - (A) a "catastrophic event"; or
 - (B) a "security event".

Other Definitions

- "Catastrophic event" means an event, other than a security event, that is unforeseen and results in extraordinary levels of damage or disruption to operations (e.g., the destruction of a principal office or data center).
- "Security event" means an event resulting in unauthorized access to, or disruption or misuse of, an information system, information stored on such information system, or customer information held in physical form. It includes information that is encrypted, if the person with unauthorized access to the information can decrypt the data.

Incident Report

- Within 30 days after the date the mortgage company/banker/servicer becomes aware of a reportable incident, the entity must submit a written incident report to SML.
- The incident report must include:
 - a detailed description of the nature and circumstances of the reportable incident;
 - the number of Texas residents affected or potentially affected by the reportable incident;
 - the measures taken by the mortgage banker/company/servicer to resolve or address the reportable incident;
 - the measures the mortgage banker/company/servicer plans to take to resolve or address the reportable incident; and
 - the point of contact designated by the mortgage banker for inquiries by SML about the reportable incident.

Incidents Reported to Other Agencies

- The notification requirement shown on the previous slide is satisfied if SML receives the same notification sent to:
 - the Federal Trade Commission (FTC) required by Section 314.4(j) of the FTC's Standards for Safeguarding Customer Information rules ([16 C.F.R. §314.4\(j\)](#)); or
 - the Office of the Attorney General of Texas required by [Business and Commerce Code §521.053\(i\)](#).

Root Cause Analysis for Security Events

- Within 120 days after the mortgage company/banker/servicer becomes aware that a security event has occurred, the mortgage entity must provide SML with a root cause analysis report of the security event.
- "Root cause analysis report" means a written report concerning the results or findings of an audit or investigation to determine the origin or root cause of a security event, identify strategic measures to effectively contain and limit the impact of a security event, and to prevent a future security event.

Supplemental Information

- SML may require additional, clarifying, or supplemental information or documentation related to a reportable incident as SML deems necessary or appropriate.
- Any information including the root cause analysis report and supplemental information is confidential examination/inspection information.



DEPARTMENT OF
**SAVINGS AND
MORTGAGE LENDING**

HECTOR RETTA, COMMISSIONER

Notable Changes for Mortgage Servicers

Mortgage Servicers:

Subchapter B: Registration Requirements

§58.100 Registration Requirements

- Subsection (a) establishes the general registration requirements for a residential mortgage loan servicer.
- Subsection (b) clarifies that a wrap lender that holds the mortgage servicing rights for a wrap mortgage loan must be registered as a residential mortgage loan servicer.
- Subsection (c) (Master Servicer and Subservicer) clarifies the registration requirements for a master servicer and subservicer.
 - With respect to a residential mortgage loan for which the mortgage servicing rights are held by a person who is not the owner of the note (a/k/a "master servicer"), the holder of the mortgage servicing rights must be registered under Finance Code Chapter 158 even if that person does not actually receive any payments from the borrower but, instead, contracts with another person to service the loan (a/k/a "subservicer").

Mortgage Servicers: Subchapter B: Registration Requirements

§58.103(d) Renewal of Registration

No Renewal after Expiration. If a mortgage servicer fails to make a renewal request during the annual renewal period (November 1 to December 31) while the license is still active and before it expires, then the registration cannot be renewed. Instead, the person must apply for a new registration and comply with all current requirements and procedures governing issuance of a new registration.

Mortgage Servicers:

Subchapter B: Registration Requirements

§58.107 Surety Bond Requirement

- NMLS Electronic Surety Bond will be required for new and renewal applications on or after January 1, 2026 (no more paper bonds)
- Definition of mortgage servicer's volume of loans for surety bond amount
- Descriptive Minimum Bond Amount is laid out in the rule

§57.207 and 58.207 Periodic Statements

A mortgage servicer that services a loan secured by a dwelling must comply with the requirements of Section 1026.41 of Regulation Z (12 C.F.R. §1026.41), governing the issuance, content, form, and layout of periodic statements sent to the borrower.

Mortgage Companies and Mortgage Bankers: Subchapter D: Supervision and Enforcement

§58.303 Corrective Action

- Clarifying the types of corrective actions SML may direct the regulated entity to take arising from an examination, investigation, or inspection
- Proper handling of the payment of refunds to the consumer

§58.304 Unclaimed Funds

Clarifying the handling of unclaimed funds

§58.310 Appeals

Clarifying the deadlines to file appeals of SML enforcement actions

§58.311 Hearings

Clarifying requirements related to adjudicative hearings



DEPARTMENT OF
**SAVINGS AND
MORTGAGE LENDING**

HECTOR RETTA, COMMISSIONER

Wrap Lenders and Servicers

Wrap Lenders and Wrap Servicers

There were no significant changes to the existing rules; however, the rules were reorganized to be similar to the other mortgage rules.

Questions?

William Purce

Director of Mortgage Regulation

(512) 936-6602

wpurce@sml.texas.gov