



State of California  
Business, Transportation and Housing Agency  
**DEPARTMENT OF CORPORATIONS**  
Supporting a Fair and Secure Financial Services Marketplace for all Californians

[www.corp.ca.gov](http://www.corp.ca.gov)

---

**Edmund G. Brown Jr.**  
*Governor*

**Jan Lynn Owen**  
*California Corporations Commissioner*

---

**DATE: November 30, 2012**

**RELEASE No. 64-FS**

---

**EXEMPTION FOR EMPLOYEES OF CERTAIN  
BONA FIDE NONPROFIT ORGANIZATIONS**

This release provides information to mortgage loan originators (MLOs) who are employed by bona fide nonprofit organizations, and who may be exempt from licensure requirements under the California Finance Lenders Law and the California Residential Mortgage Lending Act. (See Financial Code Sections 22013(b) and 50003.5(b), as amended by AB 2666 (Chap. 264, Stats. 2012).)<sup>1</sup>

Beginning January 1, 2013, an employee of a bona fide nonprofit who exclusively originates residential mortgage loans for a bona fide nonprofit organization, and who acts as an MLO only with respect to residential mortgage loans with terms that are favorable to the borrower, may be exempt from licensing requirements as an MLO if certain conditions are fulfilled.

For an MLO to qualify for the exemption, the bona fide nonprofit organization must register with the Department on a form that includes documentation of the following information, by December 31<sup>st</sup> of **each** year:

- (i) Status of a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986;
- (ii) That the organization promotes affordable housing or provides home ownership education or similar services;

---

<sup>1</sup> AB 2666 was signed into law by Governor Brown on September 7, 2012, with an effective date of January 1, 2013.

- (iii) That the organization conducts its activities in a manner that serves public or charitable purposes, rather than commercial purposes;
- (iv) That the organization receives funding and revenue, and charges fees in a manner that does not incentivize the organization or its employees to act other than in the best interests of its clients;
- (v) That the organization compensates employees in a manner that does not incentivize employees to act other than in the best interests of its clients;
- (vi) That the organization provides to, or identifies for, the borrower residential mortgage loans with terms favorable to the borrower and comparable to mortgage loans and housing assistance provided under government housing assistance programs (for residential mortgage loans to have terms that are favorable to the borrower, the terms shall be consistent with loan origination in a public or charitable context, rather than a commercial context); and
- (vii) That the organization is certified by the United States Department of Housing and Urban Development as a housing counselor who engages solely in traditional housing counseling services, if applicable.

AB 2666 further provides that the commissioner may periodically require reports regarding the activities of the bona fide nonprofit organization, and shall examine the nonprofit organization's books and records in accordance with the regulations of the United States Department of Housing and Urban Development, or any successor guidance or requirement by the Consumer Financial Protection Bureau.

If the nonprofit organization fails to provide documentation as required, or if it does not continue to meet the specified criteria as outlined above, the Commissioner may revoke the nonprofit organization's status as a registered bona fide nonprofit organization.

### **How to File the Information with the Department of Corporations**

The information required under Financial Code Sections 22013(b) and 50003.5(b), as amended by AB 2666, must be filed by form with the Department of Corporations. A copy of the form is attached. The form is also available at [www.corp.ca.gov](http://www.corp.ca.gov).

To file the form and documentation, send documents to the Department's Los Angeles Office:

California Department of Corporations  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, CA 90013-2344

Attention: Program Support

This filing is a public document and does not require a fee.

Questions regarding this release may be directed to the Department of Corporations' toll free number at (866) ASK-CORP (866-275-2677).

Jan Lynn Owen  
California Corporations Commissioner

By \_\_\_\_\_  
Colleen E. Monahan  
Deputy Commissioner  
Office of Legislation and Policy  
(916) 322-3553