
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 377 Session of
2001

INTRODUCED BY WENGER, PICCOLA, ARMSTRONG, M. WHITE, THOMPSON,
GREENLEAF, WAUGH, ROBBINS, TARTAGLIONE, BOSCOLA, MOWERY AND
WOZNIAK, FEBRUARY 8, 2001

REFERRED TO BANKING AND INSURANCE, FEBRUARY 8, 2001

AN ACT

1 Amending the act of December 22, 1989 (P.L.687, No.90), entitled
2 "An act providing for the regulation and licensing of
3 mortgage bankers and mortgage brokers; imposing additional
4 powers and duties on the Department of Banking and the State
5 Real Estate Commission; and providing penalties," further
6 providing for license requirements and exemptions.

7 The General Assembly of the Commonwealth of Pennsylvania
8 hereby enacts as follows:

9 Section 1. Section 3 of the act of December 22, 1989
10 (P.L.687, No.90), known as the Mortgage Bankers and Brokers Act,
11 amended December 21, 1998 (P.L.987, No.131), is amended to read:
12 Section 3. License requirements and exemptions.

13 (a) License required.--On and after the effective date of
14 this act, no person shall act as a mortgage banker, loan
15 correspondent, mortgage broker or limited mortgage broker in
16 this Commonwealth without a license as provided for in this act,
17 provided, however, that any person licensed as a mortgage banker
18 may also act as a loan correspondent or mortgage broker and any
19 person licensed as a loan correspondent may also act as a

1 mortgage broker without a separate license. A person licensed as
2 a mortgage broker may only perform the services of a mortgage
3 broker as defined in section 2.

4 (b) Exceptions.--The following persons shall not be required
5 to be licensed under this act in order to conduct the first
6 mortgage loan business but shall be subject to those provisions
7 of this act as specifically provided in this section:

8 (1) A State-chartered bank, bank and trust company,
9 savings bank, private bank or national bank, a State or
10 federally chartered savings and loan association, a federally
11 chartered savings bank or a State or federally chartered
12 credit union.

13 (2) An attorney authorized to practice law in this
14 Commonwealth, who acts as a mortgage broker in negotiating or
15 placing a mortgage loan in the normal course of legal
16 practice.

17 (3) A person licensed pursuant to the provisions of the
18 act of February 19, 1980 (P.L.15, No.9), known as the Real
19 Estate Licensing and Registration Act, who is principally
20 engaged in a third-party real estate brokerage business, but
21 only to the extent that he provides information, verbal or
22 written, to or negotiates or places a mortgage loan for a
23 buyer of real estate and is not compensated by the buyer or
24 any other person for providing such information or
25 negotiating or placing such mortgage loan. If he is
26 compensated for providing such information or negotiating or
27 placing such mortgage loan, he shall be subject to the
28 provisions of sections 8, 10, 11 and 14(b), excluding section
29 8(a)(1).

30 (4) A seller of a dwelling, if he has resided in the

1 dwelling at least one year and as part of the purchase price
2 receives a first mortgage executed by the purchaser.

3 (5) A person who either originates or negotiates less
4 than three mortgage loans in a calendar year in this
5 Commonwealth unless he is otherwise deemed to be engaged in
6 the first mortgage loan business.

7 (6) Builders, when obtaining mortgages for their own
8 construction or for the sale of their own construction.

9 (7) Any agency or instrumentality of the Federal
10 Government or a corporation otherwise created by an act of
11 the United States Congress, including, but not limited to,
12 the Federal National Mortgage Association, the Government
13 National Mortgage Association, the Veterans' Administration,
14 the Federal Home Loan Mortgage Corporation and the Federal
15 Housing Administration.

16 (8) The Pennsylvania Housing Finance Agency.

17 (9) A licensee under the act of April 8, 1937 (P.L.262,
18 No.66), known as the Consumer Discount Company Act, except
19 that any such licensee who makes a mortgage loan other than
20 under the provisions of that act shall be subject to the
21 provisions of sections 4(b)(2) and (3), 8, 10 and 14(b) of
22 this act, excluding section 8(a)(1).

23 (10) Except for licensees described in paragraph (9),
24 subsidiaries and affiliates of the following institutions:
25 State-chartered banks, bank and trust companies, savings
26 banks, private banks, savings and loan associations and
27 credit unions or national banks, federally chartered savings
28 and loan associations, federally chartered savings banks and
29 federally chartered credit unions, except that such
30 subsidiaries and affiliates of institutions enumerated in

1 this paragraph shall:

2 (i) be subject to the provisions of sections 8,
3 9(a)(3), 10 and 14(b), excluding section 8(a)(1);

4 (ii) deliver as required to the department annually
5 copies of financial reports made to all supervisory
6 agencies; and

7 (iii) be registered with the department.

8 (11) Employees of a mortgage banker, mortgage broker and
9 loan correspondent licensee or excepted persons acting for
10 their employers.

11 (12) An insurance company, association or exchange
12 authorized to transact business in this Commonwealth under
13 the act of May 17, 1921 (P.L.682, No.284), known as The
14 Insurance Company Law of 1921, and any subsidiaries and
15 affiliates thereof, except that such subsidiaries and
16 affiliates shall:

17 (i) be subject to the provisions of sections 8,
18 9(a)(3), 10 and 14(b), excluding section 8(a)(1);

19 (ii) deliver as required to the department annually
20 copies of financial reports made to all supervisory
21 agencies; and

22 (iii) be registered with the department.

23 (13) Any person who makes a mortgage loan to an employee
24 of that person as an employment benefit, given that person
25 does not hold himself out to the public as a first mortgage
26 lender.

27 (14) Nonprofit corporations making mortgage loans to
28 promote home ownership or improvements for the disadvantaged,
29 given that the corporation does not hold itself out to the
30 public as a first mortgage lender.

1 (15) A nonprofit corporation making not more than 12
2 mortgage loans a calendar year with its own funds, that shall
3 not include funds borrowed through warehouse lines of credit
4 or other sources for the purpose of making mortgage loans,
5 which loans are retained in the corporation's own portfolios
6 and not regularly sold to others and are made to promote and
7 advance the cultural traditions and lifestyles of bona fide
8 religious organizations provided that the corporation does
9 not hold itself out to the public as a first mortgage lender.

10 (c) Loans for business or commercial purposes.--This act
11 shall not apply to mortgage loans made for business or
12 commercial purposes.

13 Section 2. This act shall take effect in 60 days.