



The Surety & Fidelity
Association of America

100 Years of Service: 1908-2008

Model Surety Bonding Language for States Enacting a New Licensing and Bonding Requirement for Mortgage Lenders and Mortgage Brokers/Originators

- (1) The surety bond shall:
 - (A) run to the (appropriate state regulator) for the benefit of any person who has been damaged as a result of a licensee's violations of the laws and regulations of this State governing the activities of mortgage lenders or mortgage brokers;
 - (B) be issued by a surety company licensed to do business in this State;
 - (C) be conditioned upon the applicant complying with all the State laws and regulations governing the activities of mortgage brokers and mortgage lenders and performing all written agreements with borrowers or prospective borrowers, accounting for all funded received by the licensee in conformity with a standard system of accounting consistently applied; and
 - (D) be continuously maintained for as long as any license issued under this Act remains in force.

- (2) Upon application for an original license and upon the annual renewal, the applicant or the licensed mortgage lender or mortgage broker shall provide a sworn statement setting forth the total dollar amount of the mortgage loans applied for and accepted or the mortgage loans applied for, procured and accepted by the mortgage lender or mortgage broker during the latest calendar year such business was conducted in this State. The bond required shall be determined as follows:
 - (A) where the total dollar amount of stated loans was \$1,000,000 or less, the bond shall be in the amount of \$12,500;
 - (B) where the total dollar amount of stated loans was more than \$1,000,000 but less than \$2 million, the amount of the bond shall be \$17,500;
 - (C) where the total dollar amount of stated loans was more than \$2,000,000 but less than \$3,000,000, the bond shall be in the amount of \$25,000; and
 - (D) where the total dollar amount of stated loans was more than \$3,000,000, the bond shall be in the amount of \$50,000.

- (3) If the applicant for an original license has not previously conducted business in this state, the surety bond required shall be in the amount of \$12,500.

- (4) If an applicant files four or more original or renewal applications at the same time, the applicant may provide a blanket surety bond for all licensed offices in the amount of \$200,000.

- (5) The (appropriate state regulator) may proceed against the principal or surety to recover damages on behalf of any person who is damaged by a licensee's noncompliance with any conditions of such bond. The aggregate liability of the surety shall not exceed the penal sum of the bond regardless of how long the bond is in force, the number of persons covered or the number of claims made on the bond.
- (6) The surety may cancel the bond with 30 days notice to the (appropriate state regulator).
- (7) No claim, action, suit or proceeding shall be had or maintained against the Surety on this bond unless the same be brought or instituted in a United States Court and process served upon the Surety in the United States before the expiration of one year from the date of cancellation of this bond.