**Section 1050.410 Net Worth**

a) Amount. Except as provided in subsection (c) of this Section, each licensee shall maintain net worth of not less than $150,000.

b) Calculation. Net worth shall be defined as total assets minus total liabilities, except that total assets shall not include the following:

1) That portion of a licensee's assets pledged to secure obligation of any person or entity other than that of the mortgagee;

2) Any asset (except construction loans receivable, secured by first mortgages from related companies) due from officers or stockholders having an interest;

3) That portion of any marketable security (listed or unlisted) not shown at the lower of cost or market, except for any shares of Federal National Mortgage Association stock required to be held under a servicing agreement, which shall be carried at cost;

4) Any real estate held for sale or investment if development will not start within 2 years from date of acquisition;

5) Any amount in excess of the lower of the cost or market value of mortgages in foreclosure, construction loans, or foreclosed property acquired through foreclosures;

6) Any amount shown on the books for investment in and advances to joint ventures, subsidiaries, affiliates, and selected companies that is greater than the value of the assets at equity;

7) Goodwill or value placed on insurance renewals or property management contract renewals or other similar intangibles;

8) Organization costs;

9) Any leasehold improvements not being amortized over the lesser of the expected life of the asset or the remaining term of the lease;

10) Commitment fees paid that are not recoverable through the closing or selling of loans;

11) The value of any servicing contracts not determined in accordance with Financial Accounting Standards Board Statement No. 65 and Financial Accounting Standards Board Technical Bulletin 87-3; and

12) Any asset may be excluded from the calculation of the licensee's net worth upon the Director's finding that including the asset undermines or may undermine, in whole or in part, any purpose of the Act, as identified at Section 1-2 of the Act. Any report or finding made under this subsection (b)(12) shall, in writing, identify which of the Act's purposes is or may be undermined and how including the asset results in that effect.

c) A licensee that engages solely in loan brokering as defined in Section 1-4(o) of the Act is excepted from complying with the net worth requirements of subsection (a) of this Section provided the licensee provides written evidence to the Director of the licensee's conformance with a net worth of $50,000, as required by Section 3-5 of the Act. The allowable components of the $50,000 net worth shall conform pro rata with the net worth requirements of the United States Department of Housing and Urban Development, as set forth in the Audit Guide for Audits of HUD Approved Nonsupervised Mortgagees for Use by Independent Public Accountants and be subject to subsection (b)(12) of this Section. The audit guide for audits of HUD approved non-supervised mortgagees for use by independent public accountants can be obtained by contacting the U.S. Department of Housing and Urban Development, Office of Inspector General, 451 Seventh Street SW, Washington, D.C. 20410. This handbook was last issued August 25, 1997 (no subsequent dates or editions), under the title: Handbook 2000.04 REV-2, Consolidated Audit Guide for Audits of HUD Programs.

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