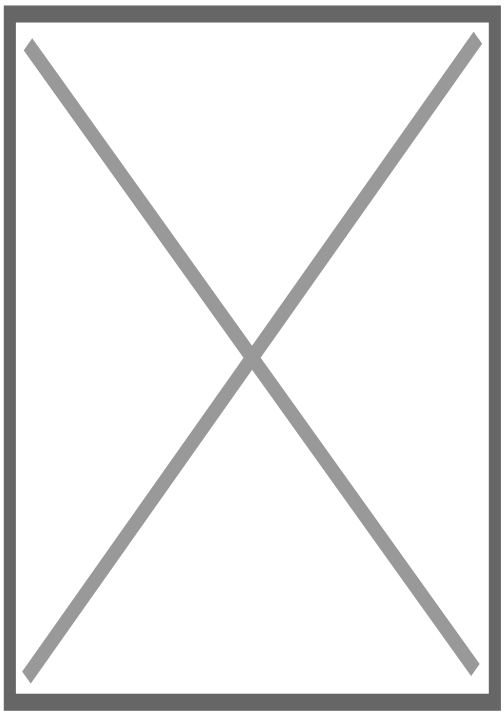
SPEECHES

A Modernized NMLS: Investing in the Future

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2024 NMLS Annual Conference & Training
by
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It is a privilege to address this audience of nearly 700 supporters and super users of the Nationwide Multistate Licensing System (NMLS).[1] This is a big audience, but we are a small piece of the larger NMLS universe which represents . . .

66 state supervisory agencies;
34,000 licensed companies;
556,000 individuals; and,

Millions of consumer users.

These numbers are proof of the system's transformative power on the financial services sector.

Nearly 20 years ago, CSBS and AARMR worked with state regulators to create NMLS. Shortly after its launch, Congress recognized the potential for the system and embraced it in the SAFE Act.[2]

A lot has changed since NMLS was first created.[3]

The mortgage industry has reached new levels of professionalism and consumer trust thanks to the nationwide standards, processes, and supervision made possible by NMLS.

The nonbank financial sector has also seen tremendous growth. While NMLS started with residential mortgage lending, it has expanded to license much of the nonbank ecosystem, including MSBs, consumer finance lenders, check cashers, student lenders, mortgage servicers, small-dollar lenders, debt collectors, and credit repair companies.[4]

In prior years, this room would have been filled with mortgage industry representatives. This year, more than 50% of attendees are from MSBs, consumer finance, and other financial services providers.

Across all these services, NMLS has helped reduce compliance costs and transform how companies manage state licensing requirements.

Supervision has also moved online. In 2020, we added a supervisory component to NMLS, known as the State Examination System.[5] I could not be more excited about the possibilities for SES.

One Company, One Exam. That is the audacious goal for SES. Streamlining standards, cutting redundant exam questions, and reducing the cost of operating in multiple jurisdictions . . . all while improving safety and soundness and protecting consumers.

These supervisory benefits will not come overnight. SES will take time and effort to mature, but as more regulators adopt the tool, more financial institutions will see the benefits.

This week, for example, you will hear about new standardized mortgage exam programs that will be added to SES. These improvements will help minimize differences in state mortgage exams and enhance coordination between state regulators. Efforts like these will reduce redundant supervisory efforts — preserving regulatory resources without sacrificing quality or the regulatory demands of each participating state.

As this audience knows, NMLS has already created tremendous value for state supervisors and the regulated industry . . . and we have big plans for the future.

We are in the midst of a multi-year modernization effort focused primarily on user experience.[6]

Later this year, we will launch user-driven enhancements that include a new login experience that will improve access to NMLS,[7] simplified self-service account recovery options,[8] and new feedback mechanisms to better understand our users' needs.?

Next, we will turn our attention to improving the Mortgage Loan Officer licensing experience by providing a guided application process with clear and consolidated requirements.**??**

But technology is just one piece of the solution. We must continue to evolve policy to meet the supervisory needs of state regulators. For example, the Mortgage Call Report has been updated[9] to ensure regulators have the

necessary data to navigate a changing regulatory landscape. To streamline the licensing process, we are advancing the Licensing Requirement Framework approved by the NMLS Policy Committee. As part of this effort, we also will publish a response to public comments on the Mortgage Business-Specific requirements proposal[10] soon after the conference.

CSBS takes its role as steward of the NMLS system very seriously. We rely on your feedback — to understand user needs, to improve governance, and to prioritize enhancements.

Yesterday, at regulator-only day, SRR Board of Managers Chairman Kevin Hagler asked regulators who are involved in NMLS governance to stand and be recognized . . . that was an incredible visual of the personal commitment of so many to the success of NMLS.

Many of you are also in that category. We are incredibly grateful for the support we receive from the Industry Development Working Group, the Large Institution Working Group, the AARMR Industry Advisory Group, and industry trade groups – including the Mortgage Bankers Association, the Community Home Lenders of America, the Money Services Business Association, and so many others.

Working with the states and industry, CSBS will make smart investments to realize the full potential of NMLS . . . achieving a modern, technology-driven licensing and supervisory process.

But we need your help.

Since NMLS was created in 2008, the cost of maintaining a modern, user-friendly system has increased dramatically. Information technology costs across the financial services industry have increased more than 28% over the last five years.[11] And rising vendor fees and competition for talent continue to put upward pressure on costs. Despite all these challenges, NMLS processing fees have not changed since the system was launched.

Unfortunately, that model is not sustainable. To ensure that we have sufficient resources to maintain, enhance, and secure NMLS, CSBS must initiate a fee review for the system.

I ask for your support as we work through this review. There will be a notice-and-comment period for both regulators and industry users as required by NMLS policy.[12] And, we will add informal stakeholder engagement opportunities as needed to ensure a transparent and inclusive process. Additional details about the fee review will be posted today on the NMLS Resource Center.[13]

My commitment to each of you is that we will keep our fees as low as possible, consistent with a responsible budget to sustain and enhance NMLS.

Thank you for your continued support of NMLS modernization. I hope this conference provides ample opportunity for you to actively participate in several sessions about the program. You can also stay informed by signing up for updates on our new NMLS Modernization webpage at csbs.org/mod.

Working together, we can create the most modern and efficient supervisory system in the world — anchored by NMLS. We can further lower compliance costs; we can better protect consumers; and we can continue to support a thriving financial system across the United States.

Thank you, and I hope you enjoy the rest of your conference!

Endnotes

1 For a full history of the NMLS, tune in to *The Making of NMLS*, a podcast series from CSBS's Simply Stated.

2 *S.A.F.E. Mortgage Lending Act*, Pub. L. 110-289, Title V, 122 Stat. 2801.

3 *See* *NMLS at 15 Years: How the SAFE Act Transformed a Market* (August 15, 2023).

4 For a complete list of licensed entities on NMLS, *see* NMLS Resource Center, *States Expand Use of NMLS to New Industries*.

5 *See* Press Release, CSBS, *State Financial Regulators Launch Nationwide Technology Platform to Examine Fintechs and Other Nonbanks* (Feb. 19, 2020); *see also* *State Examination System (SES)*

6 *See* *NMLS Modernization*.

7 *NMLS Enhancement: Creating One Account for Users to Access NMLS* (February 5, 2024).

8 *NMLS Enhancement: Making it Easier to Manage Usernames and Passwords* (February 5, 2024).

9 *See* NMLS Resource Center, *New: Mortgage Call Report Form Version 6*.

10 NMLS Resource Center, *Mortgage Business-Specific Requirements: A Component of NMLS Modernization* (March 16, 2023).

11 Gartner, *IT Key Metrics Data 2024: Industry Measures - Banking and Financial Services Analysis, 6* (December 14, 2023).

12 *NMLS Public Comment Policy* ("NMLS updates that warrant a public comment period include but are not limited to ... [f]ee changes.").

13 *See* NMLS Fee Review.

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