Opening Remarks by CSBS President and CEO Brandon Milhorn at the 2025 NMLS Annual Conference & Training

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Opening Remarks

Brandon Milhorn

Feb. 12, 2025

Good morning, everyone. It is great to be back at the NMLS Annual Conference — my second as President and CEO of the Conference of State Bank Supervisors.

This is our largest audience ever at the conference — 842 total — with 313 from state agencies and 451 from industries licensed and supervised by the states.

I love the energy at this event, because it represents:

- an opportunity for state supervisors to engage directly with the industries they oversee;
- an opportunity to better understand the economic and policy challenges facing the nonbank sector; and
- an opportunity for the states to demonstrate their continued leadership in establishing a strong, consistent, and coordinated nationwide framework for licensing and supervising financial services.

The Nationwide Multistate Licensing System sits at the heart of this framework. For 17 years, NMLS has provided a mechanism for protecting consumers, a more efficient tool for firms seeking a state license, and a platform to help promote consistency in licensing processes and requirements across the states.

Working with all of you, we are in the midst of a multi-year program to modernize this crucial system. Last fall, we deployed Phase One of NMLS modernization. Today, many of you have already experienced the benefits of this upgrade — especially those who once juggled multiple logins.

Overall, I believe this was a successful deployment of important new capabilities. We also learned a lot about how we communicate information to our user community, and how we can improve access to training and other resources to support more effective adoption.

We have more upgrades on the way — with Phase Two scheduled for 2025.

Phase Two will focus on improving the licensing process for Mortgage Loan Originators — the largest NMLS user type. Phase Two highlights include:

- a streamlined MLO application process;
- the ability to view license requirements directly in NMLS;
- company-friendly enhancements to improve task management across your teams; and
- a new identity verification process to meet FBI requirements for users authorized to access criminal history information.

You will hear more about these upgrades over the next few days, and if you are not familiar with our roadmap for NMLS modernization, I encourage you to visit CSBS.org/mod to learn more.

These operational improvements are important for sustaining NMLS and ensuring that it meets your needs, but we also must prioritize its long-term financial stability. This time last year, I promised a transparent process to develop a reasonable fee proposal that appropriately shared the financial burden of NMLS with industry. With your input, I believe we fulfilled that promise, and the CSBS and SRR boards approved a responsible processing fee change last fall – the first since NMLS was launched in 2008. This adjustment takes effect on March 1, and will provide a stable financial foundation to help sustain NMLS operations and development into the future.

Beyond NMLS, states are strengthening the nationwide framework for supervising nonbank firms by streamlining laws, regulations, and supervision.

Twenty-seven states have now adopted the Money Transmission Modernization Act in full or in part – including Massachusetts earlier this year. Because money transmitters with the largest transaction volumes are licensed in states that have adopted the law, 99% of consumer transactions reported through the NMLS are now covered by the MTMA.

The situation is similar for mortgage servicers. The seven states that have adopted the Nonbank Mortgage Servicer Prudential Standards oversee companies that manage 99% of the nonbank mortgage servicing market by loan count.

The states are working together to incorporate these standards into their supervisory processes, adopt more risk-focused supervision, and improve the consistency and efficiency of the exam process. For the MTMA, we are also coordinating with the states and the Money Transmitter Regulators Association (MTRA) to produce interpretive guidance for complex questions about the application of the model law. While individual states will retain independent interpretive authority, we think these efforts will promote additional consistency and transparency.

States are also strengthening their coordination of multistate enforcement actions to protect consumers and financial stability. Enforcing state law is critical for preserving consumer confidence and preventing unwarranted intrusion by federal regulators into an established and stable state regulatory system.

Promoting continuity of servicing for mortgage borrowers — especially during periods of economic stress — is also a key element of consumer protection and financial stability. To support this goal, state regulators will work with industry to develop expectations for recovery and resolution planning, particularly for the largest servicers. Our goal is a focused approach to planning and continuity of operations that avoids unnecessary paperwork and targets operational resilience.

Separately, CSBS will continue to advocate for Ginnie Mae program reforms that facilitate loan-level removal of nonperforming mortgages from pools, create a mechanism for private market financing of Ginnie Mae advances, and limit lengthy servicing advance requirements when borrower payments are not received – similar to existing Fannie Mae and Freddie Mac programs. If adopted, these changes would promote stability, help reduce risk, and improve market efficiency, including when those markets are under stress.

Supervisory efficiency is always a top priority for states, and we are working with our members this year to increase the capabilities and usage of the NMLS supervisory component .— the State Examination System. As I mentioned in yesterday's regulator-only session, SES has the potential to do for supervision what NMLS did for licensing.

We are improving SES so that more states adopt the tool for their exams, and we are collaborating with the MTRA to develop a customized exam workflow for money services businesses.

For companies, broader use of SES will mean a more efficient and familiar exam process. It will also promote more secure information sharing — a priority frequently mentioned by both industry and our state regulators.

We are also exploring new ways to make nonbank supervision more agile and risk-focused.

As part of our membership with the Mortgage Industry Standards Maintenance Organization (MISMO), CSBS has been actively engaged with industry and vendors to develop the Mortgage Compliance Dataset (MCD). The MCD will be included in the next MISMO release and will eventually replace the proprietary data standard regulators have been using. We had a great session with regulators yesterday on the MCD, and I am excited about the opportunities it will create for new supervisory technology to enhance state exams and industry compliance.

Technology and supervisory tools are only the beginning, we also need a cadre of skilled examiners and licensing staff. These state staff are the backbone of the dual banking system, and we want to build the technology and training necessary to support their efforts. To empower a well-trained regulatory workforce, we are rolling out new training programs at CSBS and collaborating with our sister regulatory organizations to provide professional development and training that leverages all of our resources.

CSBS is committed to helping states maintain a robust, transparent, fair, and efficient regulatory framework for nonbanks. By streamlining and tailoring supervision, we can build a state system that protects consumers and financial stability while allowing companies to innovate, grow, and compete.

I know you share this vision — that is why you are here — and I look forward to hearing from all of you throughout the conference.

Thank you for your continued support for NMLS and the states.

I hope you enjoy your week!

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