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- Energy: 1,000,000 BTUs
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May 1, 2013

The Board of Managers presents the fifth annual report of State Regulatory Registry LLC (SRR) and the Nationwide Mortgage Licensing System and Registry (NMLS or the System) operations and performance.

For its fifth year of operations, 2012 was the first year of steady state operations in NMLS for the mortgage industry. Nearly 520,000 active licensed or registered MLOs were on the System, and their records were made available at no charge to consumers on NMLS Consumer AccessSM. State and federal banking agencies transitioned onto NMLS all licensed and registered mortgage loan originators (MLOs) by the end of 2010 and 2011, respectively.

This year also had several significant first-time events, as well as a maturation of NMLS’ ongoing operations and functionality. One of the more significant events in 2012 was the enhancement of NMLS functionality to allow for the licensing of existing or new state-licensed entities through NMLS for the money services businesses, debt collection, and consumer lending industries. The new functionality and accompanying form changes went live in April 2012 and, by the end of the year, 13 state agencies were using NMLS to license 37 license types in these industries.

Using NMLS to license and regulate both mortgage and other non-depository financial services industries was always envisioned by state regulators. Once the mortgage entities were in the final stages of transitioning onto NMLS, state regulators began the process to expand System functionality to license these other regulated industries through NMLS. In addition to functionality and form changes, the SRR Board of Managers voted to expand the membership of the NMLS Policy Committee to include representation from AARMR, MTRA, NACCA, and NACARA1.

In 2012, SRR introduced both new and enhanced functionality for NMLS users, such as the inclusion of state regulatory actions in NMLS and NMLS Consumer Access. We also saw the full implementation of the NMLS quarterly mortgage call report (MCR) for all state-licensed mortgage companies. Each of these events was required under the SAFE Act.

The full representation of the nation’s mortgage industry in NMLS has resulted in our ability to publish quarterly public reports detailing licensing and registration numbers and trends. Also, the MCR data that is collected from state-licensed mortgage companies is being used by state agencies to improve regulatory functions, and continued development of MCR analytics will add to the state regulators’ ability to protect consumers through more targeted investigations and examinations. As additional non-mortgage state regulated industries become represented on NMLS, we will be able to collect meaningful information on a greater range of issues and business activities.

The use of NMLS by regulatory agencies in all states enhances the communications and interactions between state regulators as they work to enhance the System and share best practices. Industry input is also an important part of this structure, and the NMLS Ombudsman meetings and the NMLS Annual Conference and Training provide an opportunity for both System and policy issues to be discussed. In 2012, 58 state agencies were represented at the training conference.

We acknowledge the countless hours and other resources provided by regulators and industry that made possible new NMLS functionality and enhancements. We would like to express our sincere appreciation to the numerous groups that made this possible, including the NMLS Ombudsman, NMLS Policy Committee, Mortgage Testing and Education Board (MTEB), SRR Lawyers Committee, and Mortgage Advisory Council (MAC).

We are looking forward to 2013 and subsequent years where SRR will focus on coordinating with state and federal regulators and industry to enhance NMLS functionality, increase efficiency of operations and services, continue the expansion of NMLS into other non-depository industries, and maintain compliance with the SAFE Act.

Sincerely,

The Board of Managers
State Regulatory Registry LLC

Figure 1. The SRR Board of Managers

Left to right: Thomas Candon, John Ryan, Charles Dolezal, Deborah Bortner, Douglas Foster, Charles Cooper, Darin Domingue, William Matthews, David Cotney, Greg Gonzales (Robert Entringer not pictured)

Robert Entringer
Chairman and Commissioner, North Dakota Department of Financial Institutions

Douglas Foster
Vice Chairman and Commissioner, Texas Department of Savings & Mortgage Lending

David Cotney
Immediate Past Chairman and Commissioner, Massachusetts Division of Banks

Charles Cooper
Treasurer and Commissioner, Texas Banking Department

Darin Domingue
Manager, AARMR Representative and Deputy Chief Examiner, Louisiana Office of Financial Institutions

Charles Dolezal
Manager and Superintendent, Division of Financial Institutions, Ohio Department of Commerce

Deborah Bortner
Manager and Director of Consumer Services, Washington Department of Financial Institutions

Thomas Candon
Manager and Deputy Commissioner of Banking and Securities, Vermont Department of Financial Institutions

Greg Gonzales*
Manager, CSBS Chairman and Commissioner, Tennessee Department of Financial Institutions

John Ryan*
Secretary, and CSBS President and CEO

William Matthews*
Manager and SRR President and CEO

*Non-voting ex-officio members of the SRR Board of Managers
In 2012, SRR spent significant resources to modify NMLS functionality to allow state agencies to regulate additional non-depository financial service industries on the System, improve NMLS functionality and operations for industry and state regulators, and continue to increase functionality to meet SAFE Act requirements. Major highlights of achievements and initiatives by the states, SRR, and NMLS during the year include:

1. **NMLS Expansion.** Revised NMLS state licensing forms were launched on April 16, 2012. The revised forms provided for improved efficiencies for users and contained modifications that allow state agencies to use NMLS to manage a wide range of non-depository financial services licenses. As of December 31, 2012, 13 state agencies were using NMLS to license a total of 37 non-mortgage license types.

2. The membership of the NMLS Policy Committee was expanded to reflect the new industries on NMLS. The Committee is now comprised of 11 state regulators, including the NMLS Ombudsman and representatives from each of the CSBS Districts, AARMR, MTRA, NACCA, and NACARA.

3. Major functionality was added to NMLS including document upload and disclosure explanation capability, public regulatory actions availability in **NMLS Consumer Access**, and significant usability enhancements related to credit report processing, the mortgage call report, and the renewals process.

4. The new National SAFE MLO Test with uniform state content was completed and presented to the states for adoption in early 2013.

5. The fifth NMLS Annual Conference and Training had an attendance of over 575, including regulators from 58 state agencies.

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The guiding principles and policy decisions that drive the existence and continuing evolution of SRR’s operations originate and are developed through the involvement and leadership of the state financial services regulatory agencies. Staff members from these agencies spend countless hours leading and participating on committees and ad hoc working groups, and contributing their expertise and views with the common goal of continuing to make NMLS an effective regulatory tool and protecting consumers. SRR also benefits from the participation and input of industry members who spend time to give their perspective as System users.

State Regulatory Registry LLC

SRR is a non-profit entity that operates NMLS on behalf of state financial services regulatory agencies. SRR is governed by an eight-member Board of Managers comprised of state banking and financial regulators and a representative of the American Association of Residential Mortgage Regulators (AARMR). The SRR Board of Managers is responsible for all development, operations and policy matters concerning NMLS. SRR operates as a subsidiary of CSBS. (Appendix A).

Figure 2. SRR-NMLS Organization chart

3 AARMR is the national organization representing state residential mortgage regulators. AARMR’s mission is to promote the exchange of information between and among the executives and employees of the various states who are charged with responsibility for the administration and regulation of residential mortgage lending, servicing and brokering.

4 CSBS is the nationwide organization of banking regulators from all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. State banking regulators supervise more than 5,300 state-chartered financial institutions. Further, most state banking departments also regulate a variety of non-bank financial services providers, including mortgage lenders. For more than a century, CSBS has given state supervisors a national forum to coordinate supervision of their regulated entities and to develop regulatory policy. CSBS also provides training to state banking and financial regulators and represents its members before Congress and the federal financial regulatory agencies.
At the end of 2012, SRR employed 32 full-time equivalent professionals in Washington, D.C. These professionals work under the direction of the SRR Board of Managers to develop, enhance, and operate NMLS, oversee SAFE Act compliance, administer the testing and education programs, and facilitate working groups of state and federal regulators and industry related to state licensing, federal registration, supervision, and NMLS policy. Additionally, SRR contracts with the Consumer Financial Protection Bureau (CFPB) to manage the NMLS Federal Registry as required by the SAFE Act, as well as with other firms to deliver various portions of NMLS functionality and program oversight.

NMLS Ombudsman

The position of NMLS Ombudsman was created in 2009 by the SRR Board of Managers to provide industry users of NMLS and other interested parties with a neutral venue to discuss issues or concerns regarding NMLS use and policies governing the System. The objective of the NMLS Ombudsman is to foster constructive dialogue between industry users of NMLS and state regulators to work mutually toward the goal of modern and efficient financial services.

The NMLS Ombudsman is a member of the NMLS Policy Committee and reports directly to the SRR Board of Managers. The current NMLS Ombudsman is Timothy Siwy, Deputy Secretary for Non-Depository Institutions, Pennsylvania Department of Banking.

Mortgage Testing and Education Board

The MTEB has both oversight and advisory roles in connection with a wide array of issues affecting the continued development and operation of SAFE Act testing and education requirements. The MTEB is comprised of nine state regulators representing the CSBS Districts and at least one AARMR representative.

Mortgage Advisory Council

The MAC provides industry input on System policies and operations. MAC members consist of mortgage lenders and brokers and industry trade associations, and the group meets periodically with the NMLS Policy Committee.

5 MTRA is a national non-profit organization dedicated to the efficient and effective regulation of the money transmission industry in the United States. The MTRA membership consists of state regulatory authorities in charge of regulating money transmitters and sellers of traveler’s checks, money orders, drafts and other money instruments.

6 NACCA was formed in 1935 to improve the supervision of consumer financial companies and to facilitate the administration of laws governing these companies. NACCA presently has members from 49 states, the District of Columbia, Puerto Rico, and Alberta, Canada. Its members primarily license and regulate non-depository institutions such as finance companies, mortgage companies, small loan companies, payday lenders, pawnbrokers, and other similar types of industries.

7 NACARA is comprised of the various regulatory agencies in the United States and its territories and Canada that oversee the activities of third-party debt collectors.
SRR Lawyers Committee
The SRR Lawyers Committee consists of attorneys from state regulatory agencies. The committee typically meets to identify and analyze legal issues related to NMLS operations with the intent of helping SRR spot potential legal issues from a state agency perspective and help shape solutions before they are incorporated into the System. The SRR Lawyers Committee also helps provide a multi-state perspective on issues of interpretation and offers recommendations in order to facilitate a more uniform application of law on a nationwide basis. The SRR Lawyers Committee, however, does not provide SRR with legal advice.

NMLS Participating States Committee
The NMLS Participating States Committee meets to discuss NMLS policy, process, and development through the Open Forum Calls and Release Feature Meetings. The NMLS Participating States Committee consists of representatives from each state agency participating in NMLS.

Regulator Development Working Group
The Regulator Development Working Group (RdWG) is comprised of state regulators representing a minimum of five states. The RdWG serves as regulatory subject matter experts on NMLS detailed requirements and development processes and meets with other ad hoc working groups when discussing specific areas of system development.

Industry Development Working Group
The Industry Development Working Group (IDWG) is comprised of NMLS industry users. The IDWG discusses NMLS operations, enhancements, and development issues.

Ad Hoc Working Groups
SRR convenes state regulator and industry working groups and committees as needed to determine System policy and development and to set the direction for operational needs. Working groups that were convened during 2012 include:
- Mortgage Call Report Working Group;
- Large Institutions Working Group;
- MU Forms Working Group;
- Advance Change Notice Working Group;
- Agency Fee Invoicing Working Group;
- Money Services Business Working Group;
- Debt Management Companies Working Group;
- Consumer Finance Lending Working Group;
- Data Download Working Group; and
- Regulator Reports Working Group.

Membership of the NMLS Policy Committee, the MTEB, the MAC, the SRR Lawyers Committee, the RdWG, and the IDWG can be found in Appendix B.
NMLS OPERATING HIGHLIGHTS

Overview

2012 marked the first year the state agencies were able to utilize NMLS to manage non-mortgage, non-depository financial services licensees. NMLS and the uniform state application forms were modified to allow state agencies to license entities in other non-depository financial services industries (money service business, debt collection and consumer finance) through NMLS. At the end of 2012, NMLS contained active state licenses or federal registrations on approximately 30,000 unique companies and 520,000 individual licensed or registered MLOs. In addition, the 2013 renewal season was the first time all 11,052 Federally regulated institutions and 399,286 registered MLOs renewed through NMLS along with the 36,148 state-licensed companies and 258,948 licensed MLOs that were eligible for license renewal.

Federally regulated depository institutions and subsidiaries are required by federal rule to register both the institution and their MLOs in NMLS. These institutions and individuals, however, are not required to separately register in each state (as are state-licensed companies and MLOs). Consequently, federal registration data does not provide any insight as to where these entities are engaging in mortgage loan originations comparable to that provided by an analysis of state-licensed entities.

State-Licensed Entities in NMLS

As the system of record for state regulatory agencies, NMLS is able to track the number of unique companies and individuals, as well as the number of licenses they hold in each state. For example, a company licensed in three states would count as one unique entity holding three licenses. As shown in Figure 4, by year-end 2012 there were more than 18,000 state-licensed companies holding more than 36,000 active state licenses, and 120,142 individual MLOs holding approximately 259,000 active state licenses. The large majority of these companies are state-licensed mortgage entities, but the numbers also include the approximately 2,300 non-mortgage financial services companies that came on the System in 2012.

State Mortgage Licensing

In 2012, all states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands participated in NMLS to license mortgage companies, branches and MLOs. This full representation of the state-regulated mortgage industry in a single system makes it possible for state regulators and industry to have the information needed to identify business and licensing activities and trends.

Companies within the state-supervised mortgage industry are involved in a wide range of business activities (Figure 7). The vast majority of state-licensed companies (87 percent) reported in NMLS that they engage in first mortgage loan brokering, with 20 percent reporting first mortgage lending activity. Nineteen percent of state

8 Although these figures include the non-mortgage, state-licensed entities in NMLS, at this time the only individually held license managed in the System is the mortgage loan originator license.

9 Four state agencies do not currently manage company licenses on NMLS: Delaware Office of the State Bank Commissioner, Missouri Division of Finance, Texas Office of Consumer Credit Commissioner, and Utah Department of Financial Institutions.
licensees originate reverse mortgage loans and the same number reported engaging in home equity lending, while seven percent report servicing activities.

Figures 8 and 9 compare the growth in entities to the number of licenses issued throughout the year. While the total number of companies with mortgage licenses decreased by three percent during 2012, the number of state licenses held by all companies went up by the same amount. With regard to MLOs in the System, the total number of individuals increased by eight percent and the number of licenses issued to individuals increased 21 percent.

State Non-mortgage Licensing

As noted above, in April 2012, NMLS and the uniform state application forms were modified to allow state agencies to manage the licenses of entities in other non-depository financial services industries through the System. By year-end, 13 state regulatory agencies had brought on 37 license types in the areas of money service businesses, debt collection, and consumer finance. Figure 10 illustrates the specific business activities of those licensees. Additional information and data on the new industries in NMLS is discussed in the Expansion section.
Federal Mortgage Registration

Pursuant to the SAFE Act, the federal banking regulators and the Farm Credit Administration10 issued a final rule requiring the registration of individual MLOs and their employers that consist of banks, thrifts, credit unions and other federally regulated depository institutions and their regulated subsidiaries. Subsequently, the federal regulators contracted with SRR to modify NMLS for federal registration purposes. This responsibility was transferred to the CFPB in July 2011 as mandated in the Dodd-Frank Act.

During 2012, SRR continued to work with CFPB to ensure remaining functionality required under the contract was properly implemented. These new functionalities included a requirement that MLOs provide certain information related to any disciplinary events that must be disclosed and the inclusion of such information in NMLS Consumer Access. Additionally, in response to industry feedback, SRR worked with CFPB to provide institutions with more detailed reports regarding MLO information contained within the Federal Registry.

Over the course of 2012, the number of actively registered MLOs grew to 399,286 individuals employed by more than 11,000 institutions. Approximately 93 percent of those individual registrants required to renew did so successfully prior to the end of 2012. Figure 11 contains a breakdown of NMLS-registered institutions by specific federal regulator.

NMLS Activities

NMLS processes a variety of transactions for System users. NMLS assists state regulators in supervising their licensed entities and enables licensees to apply for and/or maintain a license, and allows federally regulated depository institutions and subsidiaries to manage their registered MLOs through one system. The most common transactions performed through NMLS are new applications, amendments, and renewals. An amendment occurs each time a licensee or registrant’s record is updated, whereas renewals are submitted annually. NMLS also serves as the vehicle for testing and education scheduling and maintains all state-licensed MLO test and course completion records. Figure 12 highlights the registration, licensing, and professional standards activity

10 The Office of the Comptroller of the Currency, (former) Office of Thrift Supervision, Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration, along with the Farm Credit Administration, published rules implementing the SAFE Act’s federal registration requirement in July 2010. Additionally, state-chartered, privately insured credit unions which are not directly federally regulated are also required to comply with the SAFE Act’s federal registration requirement.
that took place in the System in 2011 and 2012 for licensed or registered companies, institutions, branches, and MLOs. Activity data in 2011 and 2012 are not necessarily comparable by category. For example, categories such as new federal registration requests and criminal background checks were much higher in 2011 as that was the year of the initial federal registration requirement.

Figures 13 and 14 provide a two-year picture of license and registration count trends for companies, institutions, and MLOs in NMLS. License and registration trends show that the number of active companies, institutions and MLOs in NMLS gradually increase throughout each year, but decrease significantly in January, as entities surrender or fail to renew by the year-end deadline. For example, the number of MLO state licenses achieved a high of 258,948 licenses on December 31, 2012 and declined 14 percent to 222,722 licenses on January 31, 2012.

In 2012, 273,239 company, branch, and individual renewal requests were submitted through NMLS for company, branch, and individual MLO licenses in 58 state agencies. As of December 31, 2011, 81 percent of the renewal requests were approved, and by the end of January 2012, 93 percent of all submitted requests had been approved by the state agencies.
NMLS RESOURCES

NMLS Resource Center

The NMLS Resource Center website serves as the gateway to NMLS. It provides NMLS users with state licensing and registration information and deadlines, training materials, and tools and tips to assist companies and individuals with their use of NMLS. In addition to being the best initial source for finding state licensing and registration information, the NMLS Resource Center is continually updated with System news and events items, and state agency news that affects licensees. On April 2, 2012, SRR launched the Federal Registry Resource Center to serve a similar purpose for federally regulated depository institutions and federally registered individuals by providing updated information regarding the federal registration process.

In 2012, the two resource centers (Figure 15) had over 2.2 million unique visitors who viewed over 13 million pages.

NMLS Call Center

The NMLS Call Center, located in Rockville, Maryland, was established in January 2008 and gives both regulatory and industry users a live support system available to answer questions and provide real time help in navigating the System. Call center representatives are well trained in all aspects of System use and policies. Also, teams are assigned to provide more specialized support in specific areas such as questions on the mortgage call reports or Federal Registry issues. The call center responds directly to queries regarding any System use issues, and directs all specific regulatory, registration, or licensing questions to the appropriate state or federal agency. The call center staff is available to NMLS users Monday through Friday from 9:00 am to 7:00 pm (EST). Figure 16 compares the call volume history by month for 2011 and 2012, and shows the breakdown between calls concerning the federal registry or state licensing parts of NMLS. While both years show increased call volume during
the year-end renewal period, additional spikes in 2011 call volume correspond with the NMLS Federal Registry deadlines for initial registrations from February through July and due dates for the quarterly mortgage call reports which were instituted in 2011. The call center received a total of 761,681 calls in 2012 compared to 936,028 calls in 2011.

The staffing levels for the call center are closely monitored to ensure adequate coverage, and can be ramped up or down to meet demand. The NMLS Call Center began 2012 with 94 full-time professional staff, and ended the year with 77. The NMLS Call Center is funded through the NMLS processing fees and operates at no additional charge to System users.

**NMLS Consumer Access**

NMLS Consumer Access is a fully searchable website that allows consumers to view information concerning companies, branches and individuals state-licensed or federally registered in NMLS. This free service is an invaluable consumer resource containing information on virtually all MLOs operating in the United States as well as any state-licensed or federally registered companies on NMLS. In 2012, the information in the website was upgraded to include public state regulatory actions for state licensees. The website was also enhanced to more clearly display pertinent information for consumers and to directly connect the public to state agencies for the purpose of submitting a consumer complaint against a state-licensed company or MLO. By year-end 2012, 1,632,479 visitors had viewed almost 60 million pages on the NMLS Consumer Access website. SRR launched NMLS Consumer Access in 2010.

**NMLS B2B ACCESS**

SRR offers a subscription service that provides a subset of NMLS Consumer Access data in a business-to-business (B2B) format updated daily. This service gives compliance firms, government agencies, lenders, investors, and other eligible parties the ability to check a license or registration status in an automated manner. NMLS B2B ACCESS helps drive greater compliance and fight fraud by allowing industry to integrate license and registration compliance checks into their origination and quality control systems.

**NMLS Annual Conference and Training**

The fifth NMLS Annual Conference and Training was held February 26 – March 1, 2013, in San Antonio, Texas, with over 575 in attendance (Figure 18). As in the past year, the SRR Board of Managers approved a scholarship.
program to allow each state agency on NMLS to send at least one representative to this training conference. Agencies that have expanded their use of NMLS (or plan to do so) to license non-mortgage industries were given two scholarships so that regulators focused on those other industries could also attend. State regulators from 58 state agencies joined licensees from a range of industries, education providers, law firms, and consultants to engage in a variety of topics concerning NMLS and state and federal regulation. The 2013 NMLS Annual Conference was particularly noteworthy because for the first time the agenda was expanded beyond mortgage industry issues to include sessions relevant to the money services business and debt collection and debt settlement industries. In addition, sessions included presentations on CFPB rule changes, mortgage call reports, testing and education, Federal Registry System use, numerous new and upcoming System enhancements, and many more topics.

**Nationwide View of State-Licensed and Federally Registered Mortgage Entities Report**

Each quarter, SRR publishes the *Nationwide View of State-Licensed Mortgage Entities Report* which compiles NMLS data on state-licensed companies, branches, and MLOs. The Report includes numerous charts and graphs detailing information about the business activities of licensed companies, locations and numbers of licenses obtained, and a state-by-state breakdown of license application activity, including the number of new license applications, approvals, denials, revocations, and suspensions. A good example of the type of information being collected is illustrated in Figure 19 which compares the numbers of new MLO license applications by quarter.

In 2012, SRR began publishing a companion report, the *NMLS Federal Registry Quarterly Report*. This report provides state-by-state data on the number of federally registered mortgage loan originators (based on federal registration information) and depository institutions (based on the physical location of employed mortgage loan originators) broken down by primary federal regulator. These reports are published every quarter and are posted on the NMLS Resource Center.

**NMLS Unique Identifier**

As required by Section 1503 of the SAFE Act, an *NMLS Unique Identifier* (NMLS ID) is permanently assigned by NMLS to each state-licensed or federally registered MLO. NMLS also assigns an NMLS ID to each company, branch, and control person that maintains a single account in NMLS. Once assigned, an entity’s NMLS ID cannot be changed. The NMLS ID granted to loan originators and companies allows regulators to monitor licensed entities and individuals across state lines to ensure a provider will not escape regulatory supervision in one state, simply by crossing into another state. The NMLS ID also allows consumers and the industry to easily identify and research specific originators’ histories and qualifications through NMLS Consumer Access.

When a company or individual creates an account in NMLS, an NMLS ID is automatically assigned and reserved for use by the applying entity. However, the NMLS ID is not valid until either a state license or registration (or the denial of a state license/registration) or a federal registration has been issued. The NMLS ID can be verified for a state-licensed company, branch or MLO, or a registered institution or MLO through NMLS Consumer Access.

The benefit of the NMLS ID has been recognized by the Federal Housing Finance Agency (FHFA) and the U.S. Department of Housing and Urban Development (HUD). Both federal agencies require that any loan purchased or securitized by Fannie Mae and Freddie Mac or submitted for insurance by the Federal Housing Administration (FHAA) must include the NMLS ID for the company and individual MLO that originated the mortgage loan.

Additionally, the FHA collects the NMLS ID of all individuals and entities participating in the origination of FHA loans. The NMLS ID is also widely used by the private sector, particularly investors and compliance management providers, to ensure that purchased loans are being made in compliance with federal and state laws and to track performance levels of originators.

![Figure 19. New MLO license applications](image-url)
Regulator Open Forum

Bi-weekly Regulator Open Forum calls are conducted with all state regulators using NMLS. The calls are designed to provide regulators with an opportunity to present and discuss System-related topics with other regulators to obtain feedback on work processes, supervisory policies and best practices. The Regulator Open Forum calls allow for participating state agencies to develop more uniform practices and policies related to NMLS and also serve as a spring board to identify and prioritize proposed System enhancements and changes.

In 2012, topics discussed included: continuing to manage SAFE Act compliance for all MLOs, NMLS expansion issues and form changes, document upload functionality, and enforcement of continuing education requirements prior to licensure renewal.

NMLS Ombudsman

The NMLS Ombudsman held two public meetings in 2012 in conjunction with the NMLS Annual Conference and Training in February and the AARMR Annual Regulatory Conference in August (Figures 20 and 21). The NMLS Ombudsman will continue to hold at least two public meetings each year. Additionally, the NMLS Ombudsman received 77 emails from individuals around the country seeking assistance. A summary of all public meetings and general issues received outside of meetings, as well as any resolution to these matters, is posted on the NMLS Resource Center. Some of the varied issues that were discussed at the 2012 Ombudsman meetings included document upload and disclosure explanations in NMLS, MLO reciprocal licensing, state licensing requirements for loan servicer employees, and NMLS requirements for control persons. In addition to meeting agendas and summaries, recordings of past NMLS Ombudsman meetings are available on the NMLS Resource Center.

Public Comment Requests

Active and archived proposals issued for public comment are available on the NMLS Resource Center. One request for comments was issued in 2012 - on October 1, 2012, SRR issued a proposal titled “Uniform Authorized Delegate Reporting functionality for licensed money service businesses.” Public comments are used by the SRR Board of Managers and SRR staff as part of the decision-making process on major system or policy issues. All written comments are made available on the resource center as well as summaries of all public comments received in connection with a request.

NMLS Policy Guidebook

The NMLS Policy Guidebook was created by a group of regulators from NMLS participating state agencies to assist licensees and applicants in understanding NMLS policies, procedures, and work processes and to maintain and improve the System’s day-to-day operations. The Guidebook, which is posted on the NMLS Resource Center, is updated on an ongoing basis.
NMLS FUNCTIONALITY ENHANCEMENTS

NMLS Functionality Enhancements

NMLS design and development, including the Uniform (MU) Licensing Forms, is accomplished through various working groups, task forces, and committees populated by state mortgage regulators, industry experts, and SRR staff. Countless volunteer hours are devoted to this process and have been crucial to NMLS’ design and smooth operation. In 2012, there were three major System releases, which occurred in April, July, and October.

Highlights of functionality enhancements for 2012 include:

**NMLS Entitlement**
1. Self-Enablement. Enhancements were made to NMLS allowing certain users to self-enable when their account has been disabled due to inactivity.
2. Login Security. To enhance system security: (i) failed login attempts prior to locking the user account were reduced from five to three; and (ii) notifications are sent to the email address associated to the user account if the password has been changed or there is an unsuccessful attempt to re-enable the user account.
3. Deletion of Dormant Entities. State company records, state branch records, and federal institution records without a submitted filing are deleted after six months. Individual records without a submitted filing and with no test results or education compliance records are deleted after 24 months.

**Non-Depositories: Licensing**
1. Expansion Licensing. In April 2012 NMLS was modified to accommodate the licensing and registration of non-depository financial service industries beyond the mortgage industry. Additional details can be found under the NMLS Expansion section below.
2. Biennial Form Version Change. Updates to the biennial form review process, transforming the MU Forms to universal non-depository licensing forms (NMLS Company Form, NMLS Branch Form, and NMLS Individual Form) that can be used across a wide range of license types falling under state agency supervision.
4. Disclosure Explanations. NMLS was enhanced to require state-licensed companies and individuals to provide explanations to ‘Yes’ answers to disclosure questions and provide documentation supporting the explanation as required by their state regulator(s).
5. Document Upload. Functionality was implemented allowing the upload of supporting documentation (e.g., articles of incorporation, organizational charts, etc.) in connection with company and branch filings as required by state regulators.
6. MCR Enhancements. Extensive changes were made to the Mortgage Call Report functionality to address issues encountered during the first MCR reporting periods after deployment in May 2011. Additional details can be found under the Mortgage Call Reports section below.
7. License Settings Management. An interface was implemented allowing SRR to manage most license settings on individual, company, and branch license types without a data fix. Most changes to license settings can now be processed with at least three business days advance notice.
8. Payment Processor Replacement. Although virtually transparent to the end user, the NMLS payment processor was changed.
9. Credit Report Enhancements. NMLS was enhanced to provide two new credit summary flags, a delta change indicator to compare consecutive reports, and new regulator review items to alert state regulators of changes to the summary flags and credit score.
10. System Usability Enhancements. Numerous enhancements were made to improve usability of NMLS. For example, changes were made to system text and a company snapshot was created for company information in composite view to provide users with current summary information for the company.
11. Renewal Enhancements. The individual renewal process was updated to improve the individual workflow and to allow individuals to authorize a criminal history background check and credit report in conjunction with a renewal request if required by the license type. Minor updates were also made to the company and regulator workflows.
NMLS Federal Registry: Depository and Farm Credit Institutions

1. Disclosure Explanations. NMLS was enhanced in April 2012 to allow federally registered individuals to voluntarily provide explanations to ‘yes’ answers to disclosure questions and provide documentation supporting the explanation as required by their employing institution.

2. Federal Registry Disciplinary Actions. At the direction of the CFPB, disclosure explanations functionality was enhanced for the Federal Registry in October 2012 to require federally registered MLOs to provide disciplinary action information related to ‘yes’ answers to disclosure questions and include supporting documentation. This functionality will serve as the basis for displaying the disciplinary action information in NMLS Consumer Access in 2013.


The NMLS development release schedule can be found in Appendix C.

Mortgage Call Reports

The NMLS Mortgage Call Report (MCR) was successfully launched in May 2011, meeting one of the last remaining SAFE Act mandates. The MCR collects quarterly mortgage activity and either quarterly or annual financial data from all state-licensed or registered companies. Some states have eliminated their unique annual state reports because the MCR collects sufficient information to satisfy their reporting needs, while other states are evaluating their current reporting requirements in conjunction with the MCR. Furthermore, the CSBS Multi-state Mortgage Committee (MMC) reviews MCR data. (See Cooperative State Regulation and Supervision for more information on the MMC).

In order to help state regulators review and analyze MCR data, SRR is in the process of building NMLS Analytics. This new tool will allow regulators to view dashboards, risk profiles and reports that will help them monitor their licensees. A prototype of NMLS Analytics is already being used by the Multistate Mortgage Committee (MMC), and an initial release will be rolled out nationwide in 2013.

In July of 2012, several usability enhancements were implemented to accommodate initial regulator and industry feedback and experiences with the MCR. These enhancements included: updated company user roles; new subscribable email notifications; improvements to the data entry process; new and updated fields for data collection, and new data validation warnings and completeness checks. SRR is considering the release of non-company specific, aggregate MCR data in the future.

NMLS Expansion

After a year-and-a-half of development, including requests for public comment and extensive discussions with regulator and industry working groups, new NMLS licensing forms were launched on April 16, 2012. These new forms not only provided improved efficiencies and information available to regulators for licenses currently managed on the System, but they also contained information that allows state agencies to use NMLS to manage non-mortgage, non-depository financial services licenses.

This wide-ranging use of NMLS has been the goal of state regulators since the System was first envisioned. With the mortgage industry fully integrated in NMLS, state regulators have been able to meet the goal of modifying NMLS to manage additional license authorities thus bringing the accompanying efficiencies, improved oversight, and enhanced consumer protection to other industries that NMLS brought to the mortgage industry. The functionality for financial statement and document upload, credit reports, etc. are available for state agencies through NMLS if their law or regulations require it.
In April 2012, five agencies began managing 17 non-mortgage license authorities on NMLS. By the end of 2012, 13 agencies were managing 37 non-mortgage license authorities on the System (Figure 22). SRR anticipates that at least 33 state agencies will be managing over 70 non-mortgage license authorities on the System by the end of 2013 (See Figure 23).

The fundamental enhancement to the NMLS licensing forms that allowed for expanded use of NMLS was the inclusion of the “Business Activities” section of the company and branch licensing forms. Licensees are now asked to identify all the financial activities (according to generalized definitions) they are engaged in within any state. State agencies can then map its license authority (with its possibly unique definitions) to the relevant business activities of financial services providers. While the responsibility is always on the licensee to understand a state’s laws and regulations, this mapping allows NMLS to present to the licensee the relevant licenses based on their selected business activities.

As state agencies have brought on new license authorities, NMLS policies were revisited and modified. For example, NMLS guidance on the definition of ownership that triggers disclosure was 10 percent (and still is for the mortgage industry licenses), but for non-mortgage license authorities, licensees are directed to meet the most stringent level among the states in which that particular licensee is regulated.

SRR’s governance has also changed to accommodate a broader perspective. Most notably, the NMLS Policy Committee has been modified to include representatives from AARMR, MTRA, NACARA, and NACCA (See NMLS Policy Committee section).

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**Figure 22. List of State Agencies and License Types**

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>LICENSE</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idaho Department of Finance</td>
<td>Money Transmitter</td>
<td>Sep-12</td>
</tr>
<tr>
<td>Indiana Secretary of State</td>
<td>Collection Agencies</td>
<td>Nov-12</td>
</tr>
<tr>
<td>Kentucky Department of Financial Institution</td>
<td>Money Transmitter</td>
<td>Aug-12</td>
</tr>
<tr>
<td>Louisiana Office of Financial Institutions</td>
<td>Licensed Lender</td>
<td>Jul-12</td>
</tr>
<tr>
<td></td>
<td>Pawnbrokers</td>
<td>Jul-12</td>
</tr>
<tr>
<td></td>
<td>Sale of Checks and Money Transmitters</td>
<td>Jul-12</td>
</tr>
<tr>
<td>Massachusetts Division of Banks</td>
<td>Debt Collector</td>
<td>Apr-12</td>
</tr>
<tr>
<td></td>
<td>Small Loan Company</td>
<td>Apr-12</td>
</tr>
<tr>
<td></td>
<td>Motor Vehicle Sales Finance Company</td>
<td>Apr-12</td>
</tr>
<tr>
<td></td>
<td>Retail Installment Sales Finance Company</td>
<td>Apr-12</td>
</tr>
<tr>
<td></td>
<td>Insurance Premium Finance Company</td>
<td>Apr-12</td>
</tr>
<tr>
<td></td>
<td>Check Casher</td>
<td>Apr-12</td>
</tr>
<tr>
<td></td>
<td>Check Seller</td>
<td>Apr-12</td>
</tr>
<tr>
<td></td>
<td>Foreign Transmittal Agency</td>
<td>Apr-12</td>
</tr>
<tr>
<td>New Hampshire Banking Department</td>
<td>Sales Finance Companies</td>
<td>Jul-12</td>
</tr>
<tr>
<td></td>
<td>Retail Sellers</td>
<td>Jul-12</td>
</tr>
<tr>
<td></td>
<td>Debt Adjusters</td>
<td>Jul-12</td>
</tr>
<tr>
<td></td>
<td>Small Loan Lenders</td>
<td>Jul-12</td>
</tr>
<tr>
<td>Oklahoma Department of Consumer Credit</td>
<td>Deferred Deposit Lenders</td>
<td>Apr-12</td>
</tr>
<tr>
<td>Oklahoma State Banking Department</td>
<td>Money Transmitters</td>
<td>Oct-12</td>
</tr>
<tr>
<td>Pennsylvania Department of Banking</td>
<td>Money Transmitters</td>
<td>Sep-12</td>
</tr>
<tr>
<td></td>
<td>Accelerated Mortgage Payment Providers</td>
<td>Sep-12</td>
</tr>
<tr>
<td></td>
<td>Debt Management Servicers</td>
<td>Sep-12</td>
</tr>
<tr>
<td>Rhode Island Division of Banking</td>
<td>Check Cashers</td>
<td>Apr-12</td>
</tr>
<tr>
<td></td>
<td>Small Loan Lender</td>
<td>Apr-12</td>
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<td>Electronic Money Transfers</td>
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<td>Sales of Checks</td>
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<td>Debt Management Services Registration</td>
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<td>Vermont Division of Banking</td>
<td>Sales Finance License</td>
<td>Apr-12</td>
</tr>
<tr>
<td></td>
<td>Money Transmitters</td>
<td>Jul-12</td>
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<tr>
<td></td>
<td>Check Casher &amp; Currency Exchanger</td>
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</tr>
<tr>
<td></td>
<td>Debt Adjusters</td>
<td>Jul-12</td>
</tr>
<tr>
<td>Washington Department of Financial Institutions</td>
<td>Money Transmitter</td>
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</tr>
<tr>
<td></td>
<td>Currency Exchanger</td>
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<td></td>
<td>Check Casher</td>
<td>Jul-12</td>
</tr>
<tr>
<td></td>
<td>Small Loan Endorsement</td>
<td>Jul-12</td>
</tr>
</tbody>
</table>
All agencies manage mortgage licenses on NMLS

Agencies adding other non-depository license on NMLS in 2012

Agencies adding other non-depository licenses on NMLS (2013+)

Note: Details concerning transition to NMLS will be posted on the NMLS Resource Center as state agencies make them available.

State Regulatory Registry LLC | Updated 4/17/2013

Figure 23. Expansion Map
Overview

On July 30, 2008, President George W. Bush signed into law “The Housing and Economic Recovery Act of 2008.” Title V of this Act, entitled “The Secure and Fair Enforcement for Mortgage Licensing Act of 2008,” or the SAFE Act, contained provisions to enhance consumer protection and reduce mortgage fraud by requiring states to establish minimum standards for the licensing or registration of all MLOs. The law provided that MLOs who work for an insured depository, for an owned or controlled subsidiary regulated by a federal banking agency, or for an institution regulated by the Farm Credit Administration, must be registered. All other MLOs must be licensed by the states. All MLOs must be licensed or registered through NMLS.

Consumer Financial Protection Bureau

Under the provisions of the SAFE Act, HUD was given oversight authority for the states to determine that each jurisdiction’s MLO licensing standards meet the federally mandated minimums and that each licensing agency participates in NMLS. Effective July 21, 2011, the Dodd-Frank Act transferred HUD’s SAFE Act oversight authority as a regulator of the System, and as the arbiter of state law consistent with the mandates of the SAFE Act, to the CFPB. Additionally, CFPB took over responsibility for the NMLS development contract between SRR and the federal agencies for use of the NMLS to register depository MLOs.

State Implementation

After the SAFE Act’s enactment, state regulators immediately began the work of implementing the law, including development of a model state law to implement mortgage regulation that incorporated the standards in the SAFE Act.11 The Model State Law included standardized definitions, nationwide pre-licensure and continuing education and testing requirements, and financial responsibility and criminal background standards for MLOs. In a January 5, 2009 notice in the Federal Register,12 HUD formally stated that “HUD has reviewed this model legislation and finds that it meets the minimum requirements of the SAFE Mortgage Licensing Act.”

State SAFE Act Requirements and Compliance

Relying on the Model State Law, state legislatures moved in a focused and efficient manner to enact the SAFE Act, implementing legislation in 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. State enactment of the model state law was formally endorsed by the National Conference of State Legislatures and the National Conference of Insurance Legislators. As a result, mortgage licensing laws are far more uniform today than ever before, establishing a foundation for better mortgage supervision.

11 The CSBS/AARMR Model State Law can be found at: http://mortgage.nationwidelicensingsystem.org/safe/Pages/default.aspx.

12 The SAFE Mortgage Licensing Act Notification of Availability of Model Legislation can be found at: http://mortgage.nationwidelicensingsystem.org/safe/Pages/default.aspx.
In addition to requiring state laws and regulations to meet certain minimum requirements, the SAFE Act contained specific mandates for NMLS. Those mandates are generally reflected in other sections of this report. They include:

- Establishing protocols for the issuance of NMLS Unique Identifiers.
- Receiving and processing of fingerprints for federal criminal history background checks for all MLOs.
- Developing and administering a qualified written test.
- Reviewing and approving pre-licensure and continuing education courses.
- Providing public access to licensing information on all residential mortgage licensed loan originators.
- Developing and implementing the NMLS Mortgage Call Report.
- Making publicly adjudicated disciplinary and enforcement actions available to the public. This functionality became available in 2011, and in 2012 actions added by state agencies became viewable in NMLS Consumer Access. As of year-end 2012, 36 state agencies had posted more than 1,900 public regulatory actions (Figure 24).

The last NMLS mandate is to facilitate the collection and disbursement of consumer complaints on behalf of regulators. Throughout 2012, the CSBS-CFPB Complaint Information Sharing Work Group, a working group of the CSBS Regulatory Committee, pursued efforts to foster effective complaint information sharing between the CFPB and state regulators. As part of this process, the working group developed the State Complaint Processing Blueprint, which establishes the principles and vision of the work group and participating regulators in forging a standardized process for complaint processing and an information sharing alliance with the CFPB.

Figure 24. State Regulatory Actions
Overview

In 2012, NMLS testing and education operations transitioned into a more traditional operational mode as most of the SAFE Act requirements have been implemented. Highlights of 2012 include:

- System development to prepare for the launch of the Uniform State Test (UST).
- Continued maintenance of the national test component and 14 state test components.
- Administration of more than 133,000 test components, bringing the total administered since July 2009 to over 658,000.
- Supervision of 178 approved course providers who delivered almost 1.7 million hours of education through 1,200 NMLS-approved courses.
- Issuance of Requests for Proposals (RfPs) and the awarding new contracts for test development and maintenance and the Education Management System (EMS).

The rest of this section describes these accomplishments.

Background

The SAFE Act established a number of testing and education requirements to ensure that all state-licensed MLOs demonstrate a basic level of industry and regulatory knowledge. Under the SAFE Act, NMLS must:

- Develop and administer a qualified written test which all state-licensed MLOs must take and pass with a minimum passing score of 75 percent.
- Approve all courses which state-licensed MLOs must take to satisfy their pre-licensure (PE) education and continuing education (CE) requirements.

Test Development

The major test development activity in 2012 was the creation and development of a Uniform State Test (UST). In 2011, the SRR Board of Managers appointed an ad hoc committee to determine the feasibility of developing a UST, and by October 2012 a contract had been awarded to design and develop the test. In February 2012, a larger committee of subject matter experts approved the content outline for the UST. By summer 2012 the committee completed approving and writing test questions for the UST content area. More than 80 regulatory staff members representing 49 state agencies participated in one of six UST content review sessions during which participants reviewed the items that had been approved by the steering committee.

The test development of the UST was completed in 2012 and will be implemented in April 2013.

The new UST content will test applicants on their knowledge of high level state-related content based on the SAFE Act and the CSBS/AARMR Model State Law. None of the UST questions involve state-specific content.

The UST is designed to become a part of the national test component. This new section will include 25 questions, bringing the length of the national component to 125 questions (115 scored and ten un-scored). For a limited time period, there will also be a stand-alone UST which candidates who have already passed the national component are eligible to pass to satisfy testing requirements in all states that adopt the UST. This stand-alone UST component will have 25 scored questions and no unscored questions.

Each state can choose to adopt the UST, at which time it will replace that state’s state-specific test. Twenty state agencies adopted the UST on April 1, 2013 and nine agencies are scheduled to adopt the UST on July 1, 2013. The remaining states will be able to adopt the UST on a quarterly basis. State agencies have the option to adopt the UST. Figure 25 is a map of the states that have chosen to be early adopters of the UST.

Test Maintenance

Test maintenance activities increased in 2012. Formal maintenance activities include convening a test maintenance committee to review the content outline and the content of each test item (question), along with item performance data. In 2012, formal maintenance activities were completed for 14 state test components and the national test component. In addition to formal maintenance activities, SRR regularly monitors tests to ensure they are accurate and performing appropriately. SRR and the state agencies conduct regular legislative reviews of state and federal components to ensure that test questions are accurate and up-to-date. In 2012 SRR began assigning effective dates to selected tests. This practice notifies potential test candidates of the latest date of legislation or regulations upon which the content is based.

Through test maintenance and other means, SRR identifies and removes questions that are no longer appropriate, resulting in a test being revised and republished. In instances where candidates’ results have been negatively impacted, SRR notifies candidates and corrects their NMLS testing records. Part of the maintenance effort includes the “Test Content Comments and Challenges” process which
is outlined on the *NMLS Resource Center* in the *MLO Testing Handbook*. In 2012, SRR formally responded to 80 challenges that were submitted under this process.

### Test Administration

The national and 53 state components of the SAFE MLO Test were available in 2012. Approximately 133,000 national test components and state test components were administered in 2012.

MLOs were able to take any of the test components at more than 530 high-stake test centers throughout the United States.

### Test Performance

SRR regularly monitors the performance of the SAFE MLO Tests and posts monthly test administration and performance information on the *NMLS Resource Center*. An example of the information collected and reviewed is found in Figure 26 which compares the total number of individuals who have taken the national or state test components in the two years ending December 31, 2012, to the number of individuals who have passed the test components (regardless of if they passed it on the first attempt or a subsequent attempt.)

### Education

In 2012, 104,184 state-licensed MLOs completed almost 1.7 million hours of education courses (753,981 hours of PE and 922,280 hours of CE). NMLS-approved PE was consumed in three delivery formats: 75 percent of MLOs satisfied their PE requirement by completing an online instructor-led course; 15 percent of MLOs completed PE by taking a traditional classroom course, and 10 percent...
completed PE via webinar. The majority (75 percent) of MLOs completed CE by taking an online self-study course; 23 percent completed CE education in the classroom; and two percent of CE was delivered via webinar.

SRR developed and published enhanced state-specific education charts and initiated a communications outreach strategy to MLOs that began in July and continued through the end of 2012. In an attempt to encourage MLOs to take into consideration education compliance processing time, SRR established “smart,” “at-risk,” and “guaranteed to miss renewal” deadlines. These deadlines, set about a week apart from each other, were used by state agencies and course providers to reinforce the annual renewal deadlines. This approach assisted state regulators and course providers to reinforce the CE compliance due dates.

Of the 106,000 MLOs who were required to complete CE in 2012, 89 percent did so by December 31, 2012.

At the end of 2012, there were 178 NMLS-approved course providers, 20 of which were in a suspended/inactive status due to failure to submit for approval and/or maintain at least one course in an approved status. Throughout the year, MLOs had a choice of approximately 1,200 NMLS-approved PE and CE courses. Of these, 675 were new courses approved in 2012 and 518 were renewed from the previous year, resulting in a 60 percent average for course renewals. By year-end, there were 818 CE courses and 333 PE courses.

To monitor and ensure courses are delivered in accordance with NMLS policies, in 2012 SRR devised a risk-based approach to prioritize course examinations. Using a combination of end-of-course surveys, registration volume, type of training (internal or external), and other criteria, SRR constructed score cards for every course provider. These score cards are rolled-up into a larger strategic dashboard used to make better informed policy decisions and set technical standards for how courses need to be configured and administered to industry. The scorecards are also used to facilitate communications with course providers about the quality of the courses they are delivering.

RFPs and Contract Awards

In February 2012 SRR released RFPs soliciting proposals for the development, maintenance and administration of the SAFE MLO Tests and for the implementation and maintenance of an Education Management System (EMS).

In May 2012 SRR awarded a contract to the Financial Industry Regulatory Authority (FINRA), a Maryland-based company, for the development, maintenance and administration of SAFE MLO Tests. The contract went into effect on January 1, 2013.

Also that month, SRR awarded a contract to FINRA for the hosting and tracking of MLO education information. In July 2012 SRR awarded a contract for the development of public-facing components of the EMS to Cyzap, a Nebraska-based company. This contract will include functionality to manage course providers and course approvals, course scheduling, and the credit-banking of PE and CE courses. The new Education Management System and the upgraded functionality are scheduled to launch in June 2013.

Mortgage Testing and Education Board

In September 2009, the SRR Board of Managers created the MTEB. The MTEB has both oversight and advisory roles. The MTEB is comprised of nine state regulators representing each of the five CSBS Districts and at least one AARMR representative.

The MTEB has administrative responsibility regarding the Rules of Conduct that apply to test candidates and the Standards of Conduct that apply to approved course providers and applicants. The MTEB has the authority to investigate alleged violations of the Rules and Standards of Conduct and can discipline course providers by denying applications or withdrawing approvals. In cases involving test candidates, it may find that an applicant or licensee violated the Rules of Conduct and will notify the appropriate state agencies of its findings. In 2012, the MTEB initiated investigations into 26 cases of reported violations of the Rules of Conduct for test takers. It made findings of violations in 21 cases, and four cases were still ongoing at the end of 2012. It initiated one investigation into a reported violation of the Standards of Conduct for course providers.

The MTEB also serves an advisory role by providing guidance and recommendations to the SRR Board of Managers and staff on policies about a range of issues affecting the implementation and operations of SAFE Act testing and education requirements.

A roster of MTEB members can be found in Appendix B.
Overview

The Nationwide Cooperative Protocol and Agreement for Mortgage Supervision (the mortgage supervision agreement) outlines a basic framework for the coordination and supervision of multi-state mortgage entities. The mortgage supervision agreement established the Multi-state Mortgage Committee (MMC), which is comprised of 10 state regulatory officials appointed by CSBS and AARMR. In 2012, the MMC was chaired by Charlie Fields, Director of Mortgage for the North Carolina Office of Commissioner of Banks. The vice chair of the MMC was Anne Balcer Norton, Deputy Commissioner of the Maryland Office of Financial Regulation.

Multi-state Mortgage Committee

The MMC is responsible for the selection of examination targets and coordinating multi-state examinations. In addition, the MMC is responsible for the development of uniform examination processes and the modernization of traditional examination approaches for achieving more effective supervision. When necessary, the MMC coordinates, directs and negotiates enforcement resolution occurring under individual state authority.

The MMC fulfills its responsibilities through regular meetings of the full committee, as well as work groups assigned to specific supervisory processes and oversight functions. CSBS provides administrative, staff, and technical support for all of the MMC processes and functions, including examination and enforcement support, and acts as a facilitator for coordination of supervision between the states.

During 2012, the MMC focused on a number of important issues including mortgage servicing, licensee risk profiling, and multi-state examination tracking and coordination. The MMC devoted a considerable amount of time and resources to the mortgage loan servicing area. Notably, after close to two years of intensive examinations and negotiations, this effort culminated in a historic settlement with the five largest servicers in the country. The settlement itself is a testament to the strong partnership state mortgage regulators now have with the state Attorneys General and a myriad of federal agencies. The $25 billion settlement and agreement will help many homeowners avoid foreclosure and stay in their homes through loan modifications. From the total settlement, $17 billion is allocated for assistance to borrowers who have the intent and ability to stay in their homes while making reasonable payments on their mortgage loans. Additionally, to assist homeowners who are not delinquent on their payments but cannot refinance to lower rates because of negative equity, the banks must offer refinance programs totaling at least $3 billion. The banks are required to notify eligible homeowners of the availability of these programs. Lastly, approximately $5 billion was dedicated to the states, to be utilized to fund housing counselors, legal aid, and various cash payments to borrowers who experienced servicing abuses.

Introduced in 2011 and continued in 2012, 15 examinations were undertaken using a largely technologically driven examination platform. These 15 Limited Scope Electronic (LSE) examinations focused on using compliance software to determine what degree of compliance violations may exist within an entity’s loan portfolio. Of the 15 examinations begun, nine were finished and closed completely in 2012, while six exams were in various stages of resolution as of year-end 2012, ranging from closing satisfactorily after delays induced by Hurricane Sandy, to beginning full scope examinations as a result of findings in the LSE.

Technology continues to be a focal point for the MMC. Development began on an MMC functional website in 2012 designed to increase both the efficiency of the MMC’s work, as well as add significant accountability to the examination process. The website launched in January 2013 and enables examiners to see and work with their multi-state examinations in real time and will add accountability to the overall process. Announcements about upcoming conference calls, deadlines on various tasks, and a monitoring dashboard for commissioners and their agency staff to view examination efficiencies were included in the launch.

The MMC has also been spending significant time on developing and enhancing an institution profiling dashboard that will use company specific metrics to determine the degree of risk inherent in a company’s operations. Using data from the expanded NMLS Mortgage Call Report the dashboard, scheduled for 2013 delivery, will be available to provide all states mortgage regulators with a tool to effectively prioritize scheduling and risk scoping on a state and multi-state basis.
NMLS FEES

NMLS Fees

To fund NMLS operations, functionality and enhancements, as well as to achieve the objectives of the SAFE Act, NMLS charges various fees for services provided. Section 1510 of the SAFE Act authorizes NMLS to “charge reasonable fees to cover the costs of maintaining and providing access to information from the Nationwide Mortgage Licensing System and Registry.” NMLS fees are paid for, in the majority of cases, by the licensed entity or, in some instances, by the state.

A summary of NMLS fees for entities by type includes:
- NMLS processing fees for company, branch and MLO licenses and registrations managed in the System.
  - Test fees for the national and state test components.
  - Education fees related to the:
    - Banking of course hours taken by licensed MLOs.
    - Approval and renewal of course providers and pre-licensure and continuing education courses.
  - Criminal background check fee for the collection of fingerprints and distribution of the FBI’s criminal history record information to authorized recipients.
  - Credit report fee for the pulling of single-bureau report for use by state regulators.
  - Two-factor subscription fee for the provision of dual-factor authentication of all institution users who have access to more than one MLO’s personal identifying information.

Other NMLS services, such as the NMLS Call Center, System access, updating a licensee’s record, System reports and NMLS Consumer Access are provided at no charge to the user.

The SRR Board of Managers annually reviews NMLS fees by type to determine the appropriateness of each fee. SRR solicits public comment on any fees that the SRR Board of Managers has under consideration for change. All NMLS fees are listed on the NMLS Resource Center.

During 2012, new functionality was developed to allow state agencies to invoice licensees for various fees through NMLS. The agency fee invoicing will be available in 2013.

NMLS Processing Fees

NMLS users pay various processing fees as listed below. These processing fees are unchanged since the System launched in January 2008.

- Initial Set-up Fee. Charged each time a company, institution, branch, or mortgage loan originator, respectively, uses NMLS to apply for a new license or new registration. For state license applicants, the initial set-up fee is “per state, per license.”
- Annual Processing Fee. Charged annually at the time of renewal when a company, institution, branch, or mortgage loan originator, respectively, renews a license or registration. For state licensees, the annual processing fee is a “per state/per license” fee.
- Mortgage Loan Originator Change of Sponsorship Fee. Charged each time the NMLS processes a company’s request to have an MLO’s license affiliated with that company. The Mortgage Loan Originator Change of Sponsorship Fee is a “per state/per license” fee.
- Mortgage Loan Originator Change of Employment Fee. Charged each time an institution requests to have a registered MLO associated with their institution.

All NMLS processing fees are listed on the NMLS Resource Center.

NMLS Test and Education Fees

NMLS test fees are payable by an individual who is enrolling to take the MLO SAFE Act national test and state components or by the company which may be enrolling its MLOs for the test components. 2012 test fees by component are as follows:

National component. $92 (contains 100 questions with an appointment time of three hours).
- Each unique state component. $69 (contains 55-65 questions with an appointment time of two hours).

Fees are charged for the approval and renewal of education courses and course providers, and each NMLS-approved course provider is charged a “credit banking fee” of $1.50 per course hour taken by an MLO. “Credit banking” is the process where the course provider records a candidate’s or licensee’s SAFE Act required education hours into NMLS. Fees paid by an MLO to take an NMLS-approved course are set by the NMLS-approved course provider.

13 NMLS Processing Fees are charged only at renewal (not at application or transition) for license authorities that do not include the ability to originate, fund, or service mortgages.
**NMLS Criminal Background Check Fees**

NMLS provides functionality within the System to process fingerprints for the purpose of obtaining a federal criminal background check through the FBI. The criminal history record information check response from the FBI will be attached to the MLO’s NMLS record and is viewable by the state regulators who is issuing the MLO a license or by the employing institution for registered MLOs. Fees associated with a criminal background check are as follows:
- Paper Card Capture (if Live Scan is not selected). $49.

**NMLS Credit Report Fees**

NMLS provides state-licensed MLOs, qualifying individuals, branch managers, or control persons the ability to provide a single repository credit report and score to the state(s) where the individual is filing an application. The credit report and score are attached to the individual’s NMLS record, and the single credit report and score may be viewed by state regulators where the individual is licensed or seeking licensure without the need for multiple credit reports and charges. The functionality provided through the System also enables an individual to use that same credit report for subsequent licensure requests for up to 30 days and does not negatively impact his or her credit score. The fee associated with a credit report and credit score is $15.

**NMLS Two Factor Authentication Fees**

In order to satisfy federal requirements for online government services, NMLS uses a two-factor authentication system for all NMLS Federal Registry institution users who have access to more than one MLO’s personal identifying information. The annual subscription fee is charged to each institution user to cover the cost of this service.

More information about NMLS fees can be found on the [NMLS Resource Center](#).
Security, Privacy, and Breach Policies

NMLS: (a) complies with Federal Information Security Management Act (FISMA) standards and guidelines set by NIST; (b) meets the moderate baseline security controls contained NIST Special Publication 800-53, Recommended Security Controls for Federal Information Systems; and (c) has been fully accredited (Certification and Accreditation) by the CFPB. The most recent inspection was completed in December 2012.

NMLS’ Privacy, Data Security and Security Breach Notification Policy is available on the NMLS Resource Center.14

NMLS Legal Agreements
To use NMLS or access specific types of data or functionality within the System, a user must agree to one or more of the following online agreements:

- Industry Terms of Use.
- State Agency Terms of Use.
- Federal Agency Terms of Use.
- Criminal History Record Information (CHRI) Terms of Use.
- Credit Terms of Use (Industry and Agency)
- Payment Terms of Use

The Industry, State Agency, and Federal Agency Terms of Use are general System user agreements that an industry or regulator user must agree to as part of the NMLS log in process.

There are two Credit Terms of Use agreements: one for state-licensed MLOs and control persons; and one for state regulators. State-licensed MLOs and control persons must acknowledge in NMLS that his or her credit report will be made available to one or more state regulators and state regulatory users are required to accept restrictions on the dissemination of an individual’s credit information before accessing their credit data within NMLS. State regulators use this information as one tool to determine an individual’s financial responsibility as required by the SAFE Act or corresponding state laws or regulations.

The CHRI Terms of Use must be agreed to by an authorized user and restricts the dissemination of CHRI to only authorized recipients and requires state agencies and financial institutions to provide reasonable opportunity for applicants or licensees to respond to inquiries based on information contained in the CHRI.

In 2012 the SRR Board of Managers unanimously approved changes to the NMLS State Agency Terms of Use which became effective on October 9, 2012 in accordance with the terms of Section 5(A) of the user agreement. These amendments were intended to adapt the agreement to allow for states to use the system for other types of state financial services licensees such as consumer lenders, money services businesses, and debt collectors. Accordingly, “Nationwide Multistate Licensing System” was added to the definition of NMLS. The amendments also allow for the information in the System to be shared outside the mortgage regulatory area with other financial services regulators if the state or federal regulatory agency certifies that they are subject to the confidentiality provisions of the SAFE Act (Section 1512) and they can comply with those provisions of the SAFE Act. In addition, the amendments authorized SRR to net out charge backs from future payments to the states and require SRR to detail deductions in reports back to the states. Other changes were made that clarify and do not change the meanings of the sections amended.

Copies of these Industry, State and Agency, Credit and Terms of Use agreements are available on the NMLS Resource Center.15

Litigation

Bankruptcy Trustee for Taylor, Bean and Whitaker against SRR LLC

The Bankruptcy Trustee for Taylor, Bean, and Whitaker (TBW) filed a complaint against NMLS and the 14 states involved in a $9 million settlement action in 2009 concerning various violations of state and federal law. At the heart of this matter was a multi-state exam of TBW’s 2006 mortgage loans. On August 25, 2009, TBW filed for Chapter 11 bankruptcy. This was a preference claim in bankruptcy for the return of those funds.

SRR worked diligently with both in-house and outside counsel to resolve the claim. This claim was ultimately settled in 2012.

14 http://mortgage.nationwidelicensingsystem.org/about/policies/Pages/SystemPrivacyPolicy.aspx
15 http://mortgage.nationwidelicensingsystem.org/about/Pages/Policies.aspx
Overview

Organizationally, SRR is structured as a single member limited liability corporation (LLC) with CSBS being the sole member. For tax reporting purposes, SRR is considered a part of CSBS and is therefore tax exempt. Annually, an audit of SRR is performed by an independent accounting firm. At the time of this printing, the annual audit for the year ended December 31, 2012 was underway, but the final report had not been presented. When available, a copy of the final audit report will be posted on the SRR website.

Outlook

Looking ahead, 2013 includes significant items, including continued NMLS expansion of other non-depository financial services industries and the uniform state test. The level of adoption by state agencies and financial impact of these two items are unknown. SRR’s long-range plan has forecast that an appropriate financial reserve is essential in funding the ongoing development, operation and maintenance of NMLS as mandated by the SAFE Act, as well as to prudently position the organization to ensure continued operations in the event of variations in revenue given the cyclical nature of entities in the financial services industries that are registered and licensed through NMLS.
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APPENDIX A. CSBS ORGANIZATION CHART

CSBS
The Conference of State Bank Supervisors (CSBS) is the nationwide organization of banking regulators from all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. State banking regulators supervise approximately 5,300 state-chartered financial institutions. Further, most state banking departments also regulate a variety of non-bank financial services providers, including mortgage providers. For more than a century, CSBS has given state supervisors a national forum to coordinate supervision of their regulated entities and to develop regulatory policy. CSBS also provides training to state banking and financial regulators and represents its members before Congress and the federal financial regulatory agencies.

CSBS Education Foundation
Under the direction of the CSBS Education Foundation, the Professional Development Division of CSBS offers a wide range of on-site and online professional development and training programs, ranging from basic examiner training, continuing education, to executive programs for senior department personnel. CSBS also collaborates directly with state banking departments to develop, deliver, and manage all aspects of professional development and training programs that can be customized, held in-state or regionally, and competitively priced to keep training costs as affordable as possible. Services provided by CSBS include program development, instructional design, production of materials, participant support, program delivery, on-site administration, evaluation, and follow-up. Through work with members, CSBS strives to be recognized as the primary provider of high quality, flexibly delivered, and cost effective professional development and training services.

State Regulatory Registry LLC
A subsidiary of the Conference of State Bank Supervisors (CSBS), the State Regulatory Registry LLC (SRR) is a non-profit entity that operates the Nationwide Mortgage Licensing System and Registry (NMLS) on behalf of state financial services regulatory agencies. SRR is governed by an eight-member Board of Managers comprised of state banking and financial regulators and a representative of the American Association of Residential Mortgage Regulators (AARMR). The SRR Board of Managers is responsible for all development, operations, and policy matters concerning NMLS.
APPENDIX B. ROSTERS

SRR Board of Managers | 2012 Roster

Chairman
Mr. Robert Entringer
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Vice Chairman
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Immediate Past Chairman
Mr. David Cotney
Commissioner
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Treasurer
Mr. Charles Cooper
Commissioner
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Secretary
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President & CEO
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Managers
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Mr. William Matthews*
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*Non-voting ex-officio members of the Board

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SRR Board of Managers | 2012 Roster

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Vice Chairman
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Mr. William Matthews*
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*Non-voting ex-officio members of the Board
APPENDIX B. ROSTERS

NMLS Policy Committee | 2012 Members

Chairman
Ms. Sue Clark
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Members
Mr. Tim Siwy (Ombudsman)
Deputy Secretary, Non-Depository Institutions
Pennsylvania Department of Banking

Ms. Sue Toth
Administrator, Licensing Services Bureau
New Jersey Department of Banking & Insurance

Mr. Rodney Reed
Finance Bureau Chief
Iowa Division of Banking

Mr. Mike Igney
Assistant Commissioner, Compliance Division
Tennessee Department of Financial Institutions

Ms. Amy Greenwood-Field
Consumer Review Examiner, Financial Institutions Division
Nebraska Department of Banking & Finance

Ms. Louisa Broudy
Deputy Commissioner
California Department of Corporations

Ms. Tiffany Fowlie
Deputy Commissioner
Massachusetts Division of Banks

Ms. K.C. Schaler
Supervising Examiner
Idaho Department of Finance

Ms. Stephanie Newberg
Deputy Commissioner
Texas Department of Banking

Ms. Leslie Pettijohn
Commissioner
Texas Office of Consumer Credit Commissioner

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As of July 1, 2012
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Mr. Thomas Hendrickson
Portland, OR

Creative Mortgage Group
Mr. Michael D’Alonzo
Washington, DC

Massachusetts Mortgage Association
Ms. Denise Leonard
Medford, MA

Mortgage Bankers Association
Mr. Ken Markison
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AMS Mortgage
Ms. Vickie Graves
Madison, MS

Citigroup, Inc.
Ms. Briget Polichene
Indianapolis, IN

The Dinham Companies
Mr. Harry Dinham
Dallas, TX

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APPENDIX B. ROSTERS

Mortgage Testing & Education Board | 2012 Members

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Vice Chairman
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Chief Administrator, Compliance Division
Tennessee Department of Financial Institutions

Members
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Special Administrator
California Department of Corporations

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Financial non-Depository Lead Examiner
Maryland Office of Financial Regulation

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North Carolina Office of Commissioner of Banks

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Washington Department of Financial Institutions

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## APPENDIX C.

### NMLS 2012 Development Schedule & Features

<table>
<thead>
<tr>
<th>Date:</th>
<th>Primary Features:</th>
</tr>
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<tbody>
<tr>
<td>04/16/2012</td>
<td>• NMLS Expansion</td>
</tr>
<tr>
<td>(2012.2 Release)</td>
<td>• Biennial Form Version Change</td>
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<td></td>
<td>• Disclosure Explanations</td>
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<td>• Document Upload</td>
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<td></td>
<td>• Criminal Background Checks for Individuals on Company and Branch Filings</td>
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<tr>
<td>07/23/2012</td>
<td>• Consumer Access – Display Updates and State Regulatory Actions</td>
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<tr>
<td>(2012.3 Release)</td>
<td>• Mortgage Call Report (MCR) Enhancements</td>
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<td></td>
<td>• License Settings Management</td>
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<td></td>
<td>• Payment Processor Replacement</td>
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<tr>
<td>10/22/2012</td>
<td>• Credit Report Enhancements</td>
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<tr>
<td>(2012.4 Release)</td>
<td>• Federal Registry – Disciplinary Actions</td>
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<td></td>
<td>• State Renewal Functionality Enhancements</td>
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</table>

**Planned Future Roadmap Enhancements**

<table>
<thead>
<tr>
<th>Features:</th>
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<tbody>
<tr>
<td>• NMLS Consumer Access – Federal Disciplinary Actions</td>
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<tr>
<td>• Authorized Delegate Management</td>
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<td>• Implementation of Uniform State Test Component</td>
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<td>• Agency Fee Invoicing</td>
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<tr>
<td>• NMLS Data Analytics and Delivery Platform</td>
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<tr>
<td>• Advanced Notification Filing in NMLS for State Licensed Entities</td>
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<tr>
<td>• Education Management System</td>
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<td>• NMLS Education Rules Engine</td>
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<td>• Merger &amp; Acquisition Functionality for State to Federal MLOs</td>
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<tr>
<td>• Merger &amp; Acquisition Functionality for State to State MLOs</td>
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<tr>
<td>• Report Delivery for Regulators</td>
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<tr>
<td>• Regulator Log</td>
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<tr>
<td>• Implementation of 5 Year SAFE Test Retake Policy</td>
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<td>• Consumer Complaint Tracking</td>
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<td>• NMLS Examination Functionality</td>
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<td>• Surety Bond Tracking and Integration</td>
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<td>• Linked Employments for State Licensees</td>
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<td>• Annual/Call Report for Non-Mortgage Industries</td>
</tr>
<tr>
<td>• Biennial Uniform Licensing Form Updates</td>
</tr>
<tr>
<td>• Exempt Company &amp; Branch Registration Form</td>
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