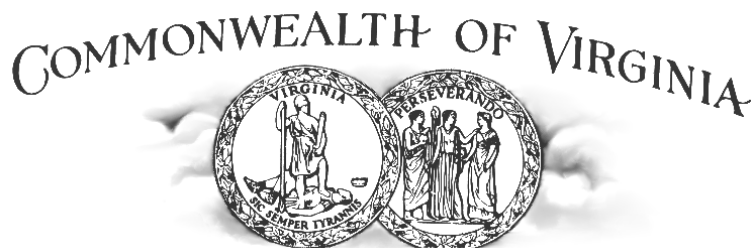


E. J. FACE, JR.
COMMISSIONER OF
FINANCIAL INSTITUTIONS



1300 EAST MAIN STREET
SUITE EIGHT HUNDRED
P.O. BOX 640
RICHMOND, VIRGINIA 23218-0640
(804) 371-9657
FAX (804) 371-9416
TDD (804) 371-9206
www.scc.virginia.gov

**STATE CORPORATION COMMISSION
BUREAU OF FINANCIAL INSTITUTIONS**

June 7, 2011

TO: The Honorable Senator Richard L. Saslaw
The Honorable Delegate Terry G. Kilgore

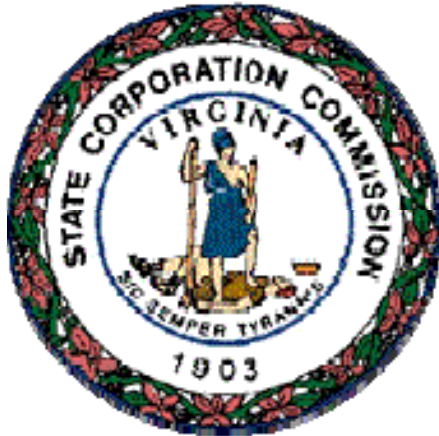
As required by Title 6.2, Chapter 17, Section 6.2-1720 E of the Code of Virginia, the Bureau of Financial Institutions of the State Corporation Commission respectfully submits the attached report on the operations of the State Regulatory Registry LLC and the Nationwide Mortgage Licensing System.

Sincerely,

A handwritten signature in black ink, appearing to be "E. J. Face, Jr.", written in a cursive style.

E. J. Face, Jr.

Cc: Members Senate Commerce and Labor Committee
Members House of Delegates Commerce and Labor Committee



Report on the Operations
of the
State Regulatory Registry LLC

Prepared by the Bureau of Financial Institutions
State Corporation Commission

June 7, 2011

CONTENTS

Introduction.....	Page 3
Background.....	Page 3
Budget, Fees, Audited Financial Statements	Page 4
Securing and Safeguarding Information.....	Page 7
Test Results.....	Page 8
Summary.....	Page 9
Other Items of Interest.....	Page 11

Attachment

- 2010 Annual Report – State Regulatory Registry LLC

This Report was prepared pursuant to Title 6.2, Chapter 17, Section 6.2-1720 E of the Code of Virginia, which directs the Bureau of Financial Institutions of the State Corporation Commission to:

1. Annually review the proposed budget, fees, and audited financial statements of the State Regulatory Registry LLC (SRR).
2. Annually, to the extent practicable, report to the House and Senate Committees on Commerce and Labor on the operations of the SRR, including compliance with its established protocols for securing and safeguarding personal information in the SRR.
3. The extent practicable, prepare, publicly announce, and publish a report, by no later than May 1 of each year, that summarizes statistical test results and demographic information to be prepared by the SRR or its test administrator.

Introduction - In accordance with the Code of Virginia, the Bureau of Financial Institutions (Bureau) offers the following report of its review of the State Regulatory Registry LLC (SRR) and the Nationwide Mortgage Licensing System (NMLS).¹

Background - NMLS was initiated by state mortgage regulators in 2004 in response to the increased volume and variety of residential mortgage loan originators. SRR was formed in 2006 and is a nonprofit corporation based in Washington, D.C. SRR is a wholly owned subsidiary of the Conference of State Bank Supervisors (CSBS)², and it owns and operates NMLS. SRR is directed by a Board of Managers consisting of seven state regulators. NMLS was developed and is maintained by the Financial Industry Regulatory Authority (FINRA)³.

NMLS is a Web-based application which enables mortgage lenders, mortgage brokers, and mortgage loan originators (MLOs) to apply for, amend, update, and renew licenses online with participating regulatory agencies using a single set of uniform applications. NMLS also offers consumers an on-line public access/inquiry which discloses licensing information and regulatory enforcement history of mortgage firms and MLOs.

NMLS launched with seven states on January 2, 2008, and the Bureau went live on NMLS (with MLOs only) on August 3, 2009. Title V of the *2008 Housing and Economic Recovery Act*, entitled *The*

¹The 2010 SRR Annual Report with final 2010 audited financial statements is dated April 15, 2011 and was publically released May 16, 2011.

² CSBS is the nationwide organization for state bank regulation, representing state regulators of the 50 states, the District of Columbia and U.S. Territories, who supervise state-chartered financial institutions. The majority of state banking departments also oversee mortgage providers and other financial service providers.

³ FINRA is the largest independent regulator for all securities firms conducting business in the United States.

Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), mandated that all MLOs be either federally registered or state-licensed through NMLS⁴. As of May 18, 2011, there were 5,739 MLOs licensed in Virginia through NMLS, of which 5,354 licenses were active.

Existing Virginia mortgage lender and broker licensees began transitioning onto NMLS on January 3, 2011. As of May 19, 2011, 741 license transitions had been requested, and 260 license transitions had been approved. Also beginning January 3, 2011, applicants for new mortgage lender/broker licenses and branches were required to submit their applications through NMLS.

Applications for relocation and for acquisition of control of Virginia mortgage licensees are not currently processed through NMLS. Applicants currently submit these applications directly to the Bureau. Effective July 1, 2011, mortgage licensees in Virginia will start submitting relocation information through NMLS. NMLS is also considering an enhancement to provide for processing applications for acquisition of control.

The Bureau is also providing the option for registration through NMLS to “exempt” entities or sole proprietorships not required to be licensed under Virginia law as mortgage lender/brokers. This registration is optional and is intended for those who wish to take advantage of the efficiencies offered by NMLS.

Budget, Fees, Audited Financial Statements - As of December 31, 2010, SRR reported audited total assets of \$29.4 million (compared to \$15.9 million at the end of 2009), owner’s equity of

⁴ Title V of *The Housing and Economic Recovery Act of 2008* (H.E.R.A.), “the SAFE Act”, became effective July 30, 2009 and mandated that state-licensed MLOs meet certain minimum requirements for licensure. States were required to enact SAFE laws that brought MLOs into compliance with the SAFE Act no later than December 31, 2010.

\$19.3 million (compared to \$2.9 million at the end of 2009), and net income of \$16.4 million (compared to \$668,010 for 2009). The certified public accounting firm of Tate & Tyron issued a “Clean” or Unqualified Opinion of SRR. The Bureau’s review of the financial statements did not reveal any significant concerns. The financial statements appear to be reasonable, including the amounts, estimates, and assumptions used.

SRR’s largest revenue sources included test administration fees, licensing system processing fees, criminal background and fingerprinting fees, credit report fees, education course fees, and state development contributions. These sources contributed \$66.9 million to the 2010 revenue base. Major operating expenses included borrowing costs, salaries and benefits, overhead, merchant processing fees, and system depreciation.

Liabilities to net worth were 52.51% at year-end 2010, a significant improvement when compared to 453.94% at year-end 2009. Accounts payable (borrowings) necessary to fund start-up of NMLS have been greatly reduced. NMLS experienced substantial growth in usage and fees in 2010 due to the large number of states coming fully on-line in 2010, which lead to enhanced profitability.

SRR was considered liquid for 2010 according to the audited Statement of Cash Flow, with an increase in cash for the year of \$6.85 million. The net cash provided by operating activities in 2010 of \$23.9 million included a significant increase in net income, a rise in depreciation expense, and an increase in accounts payable. The net cash used in investing activities equaled \$8.7 million and involved the purchase of property and equipment, as well as costs paid to develop testing. The net cash used in financing activities equaled \$8.3 million; and its largest component included reductions in lines of credit outstanding, used to fund development and maintenance of NMLS.

As of March 31, 2011, SRR reported total unaudited assets of \$31.8 million, owner's equity of \$20.1 million, and net income of \$813,163. Thus far in 2011, SRR results of operations remain positive; and NMLS registration and processing fees are up, with federally regulated institution registrations coming on-line January 31, 2011 and continuing through the first months of 2011 (registrations must be completed by July 29, 2011).⁵

With respect to fees, NMLS charges three basic fees to fund development, functionality, and operations. 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."

The initial license set-up fees are \$100 per company, \$20 per branch, and \$30 per MLO each time NMLS is used to transition an existing entity to NMLS or to apply for a new license in NMLS. The \$100/\$20/\$30 processing fee is also charged annually at the time of renewal when a company, branch, or MLO renews a license in a participating state. A \$30 MLO transfer fee is charged each time NMLS processes a company's request to have a MLO's license affiliated with that company (i.e. each time a MLO changes employment to another company). These fees are unchanged since NMLS launched in January 2008.

NMLS test fees are charged to an individual who enrolls to take the MLO national and state tests or charged to a company which may enroll its MLOs for the national and state tests. The national test fee is \$92 and the state test fee is \$69.

⁵ The federal regulatory agencies are the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Farm Credit Administration.

NMLS education fees are charged for the approval and renewal of education courses and course providers. The course provider application fee is \$400, and the course provider renewal application fee is \$400 (each valid for two years). A course application fee is \$300 plus \$20 per each course hour (valid for one year), and the course renewal application fee is \$200 plus \$20 per each course hour (valid for one year). All of the above course fees are paid by the course provider.

NMLS criminal background check and fingerprint fee is \$39 for a live scan (electronic) and \$49 for a paper card scan. NMLS credit report fee is \$15. For more detailed information on fees, refer to Pages 22-23 of the attached SRR 2010 Annual Report.

Securing and Safeguarding Information - Established protocols for securing and safeguarding information in NMLS can be found on the NMLS Resource Center Website⁶. NMLS complies with the Federal Information Security Act standards and guidelines set by the National Institute of Standards and Technology (NIST). NMLS also meets the moderate baseline security controls contained in the NIST Special Publication 800-53, *Recommended Security Controls for Federal Information Systems*, and NMLS has been fully accredited by federal agencies.

SRR reports it did not experience any material issues related to security, privacy, or information breach in 2010 (Page 10 of the 2010 SRR/NMLS Annual Report). In 2008 and 2009, SRR also reported no material issues related to security, privacy, or information breach. As part of FINRA's internal audit, its internal audit staff preforms tests on parts of the NMLS. FINRA's policy does not provide for the release of its internal audit reports.

⁶ <http://mortgage.nationwidelicensingsystem.org/about/policies/Pages/SystemPrivacyPolicy.aspx>

Test Results - SRR periodically will release and post on the NMLS Website certain statistics regarding the development, delivery, and performance of the MLO national and state tests. The SAFE Act requires MLOs to pass written qualified national and state tests. On July 30, 2009, NMLS released the National Test Component, and on October 22, 2009, the Virginia State Test Component became available. The following data, released by NMLS, represents tests administered between July 30, 2009 and March 31, 2011. The table, “Pass Rates by Individual,” compares the total number of individuals who have ever taken the test component to the number of individuals who have passed the test component by present day (regardless of whether they passed it on the first attempt or a subsequent attempt).

Pass Rates by Individual		
	National Test Component	Aggregate State Test Components
Total Candidates	145,534	209,037
Candidates Passed	121,671	194,528
Pass Rate	84%	93%

The next table, “Pass Rates by Attempt,” includes the number of test components taken, the number of test components passed, and the pass rates for first-time test takers. The data further denotes the number of test components taken, the number of test components passed, and the pass rates for subsequent re-takes of the test components.

Pass Rates by Attempt			
	National Test Component	Aggregate State Test Components	Total Test Components
Tests Components Taken 1 st Time	145,495	209,030	354,525
Test Passed 1 st Time	99,264	172,344	271,608
Pass Rate 1 st Time	68%	83%	
Test Components Subsequent Re-takes	52,178	34,838	87,016
Test Passed Subsequent Re-takes	22,611	22,744	45,355
Pass Rate Subsequent Re-takes	43%	65%	
Total Pass Rates For All Tests Administered	62%	80%	

From the date the Virginia-specific test was first implemented on October 22, 2009 through December 31, 2010, the Virginia test was administered 10,154 times with an overall pass rate of 86%.

NMLS reports that 95.2% of candidates who took the Virginia test have passed the national test. NMLS does not currently track or collect demographic test information.

Summary – NMLS launched on January 2, 2008, and the Bureau went live on NMLS August 3, 2009. As of December 31, 2010, SRR reported audited total assets of \$29.4 million and net income of \$16.4 million. The certified public accounting firm of Tate & Tyron issued a “Clean” or Unqualified Opinion of SRR. The Bureau’s review of the financial statements did not reveal any significant concerns. NMLS experienced substantial growth in usage and fees in 2010, translating into enhanced profitability. SRR operations remain positive through the first quarter of 2011, with depository and farm

credit institution and federally regulated operating subsidiary MLOs registering for the first time beginning January 31, 2011.

SRR management believes that 2010 was a unique year since SAFE Act state deadlines resulted in significant one-time revenues and expenses. NMLS fee revenue from state-licensed entities is expected to be less in future years. The 2010 financial results and cash flow provided funding that enabled SRR to pay off borrowings and fund NMLS enhancements. Cash flow is not expected to be as significant in future years as in 2010; nonetheless investment in NMLS development is expected to continue for the foreseeable future.

SRR reports that it did not experience any material issues related to NMLS security, privacy, or information breach in 2010. Testing data between July 30, 2009 and March 31, 2011 reveal that 145,534 national test components were administered with a total pass rate of 84%, and 209,037 aggregate state test components were administered with a total pass rate of 93% (the Virginia state test was administered 10,154 times between October 22, 2009 and December 31, 2010 with a total pass rate of 86%). SRR/NMLS does not currently track or collect demographic test information.

OTHER ITEMS OF INTEREST⁷

- In 2010, 24 new state agencies began using NMLS, bringing the total number of state agencies participating in NMLS to 58.
- At the end of 2010, all states had transitioned to NMLS and required MLOs to meet the SAFE Act requirements.
- By the end of 2010, NMLS managed 176,032 unique entities (companies, branches, and MLOs) which held 296,975 state licenses from the 58 participating state agencies.
- 80% of MLOs hold just one license in one state, and each company licensed through NMLS employs on average 5.5 MLOs.
- 83% of companies licensed through NMLS operate in just one state, and 2.5% operate in more than ten states.
- The vast majority of companies in NMLS appear to be small companies involved in first mortgage loan brokering.
- In January 2010, the SRR launched the “NMLS Consumer Access”, a searchable Website that allows the public to view information about companies, branches, and individuals licensed or registered through NMLS free of charge
- In July 2010, SRR entered into an agreement with the federal agencies to modify NMLS to accommodate the federal registration of MLOs. This contract contains a transferability clause

⁷ Taken from the 2010 Annual Report of the SRR.

that will allow the contract to transfer to the Consumer Financial Protection Bureau (CFPB) under provisions contained in the *Dodd-Frank Wall Street Reform and Consumer Protection Act*.

- The NMLS Federal Registry component opened January 31, 2011 and allows federally regulated institutions to register MLOs in accordance with SAFE Act requirements and its deadline for completion of federal registration by July 29, 2011.
- On July 21, 2011, the CFPB will inherit the oversight authority that the SAFE Act originally conferred to HUD, thus the CFPB will become the regulator of NMLS, the arbiter of whether state law is consistent with the mandates of the SAFE Act, and will assume the responsibility of the contract between SRR and the federal agencies for use of the NMLS.
- The Federal Housing Finance Agency and the U.S. Department of Housing and Urban Development (HUD) now require that any loan purchased or securitized by Fannie Mae and Freddie Mac or submitted for insurance by the Federal Housing Administration must include the NMLS Unique Identifier for the company and the individual MLO that originated the mortgage loan.
- In the next several years, the SRR will focus on continued implementation of and compliance with the SAFE Act; work with the federal banking agencies, the Farm Credit Administration, and the CFPB to register MLOs; improve NMLS functionality, operations, and services; and expand NMLS to other non-depository industries.



2010 Annual Report

State Regulatory Registry LLC

April 15, 2011

Table of Contents

Letter from the SRR Board of Managers	ii
2010 Milestones	1
Organizational History & Background	2
NMLS Operating Highlights	4
The Dodd-Frank Act	13
SAFE Act	14
Mortgage Testing & Education	18
Cooperative State Regulation & Supervision	21
NMLS Fees	22
SRR Financial Report	24
Tables & Figures	25
Appendices	26

Letter from the SRR Board of Managers

April 15, 2011

Users of the Nationwide Mortgage Licensing System & Registry,

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

This past year was extraordinary for SRR and NMLS in many ways. In 2010, 24 state agencies, including most of the populous states, transitioned their licensees onto NMLS. A total of 58 agencies in all states, the District of Columbia, Puerto Rico, and Virgin Islands now require licensees to meet state law requirements contained in *The Secure and Fair Enforcement for Mortgage Licensing Act of 2008* (SAFE Act). Several major pieces of functionality were added to NMLS to meet SAFE Act requirements, and significant preparations were made for the System to register individual mortgage loan originators (MLOs) who are employed by depository institutions or their federally regulated subsidiaries. This registration process began on January 31, 2011. *NMLS Consumer Access* was launched in January 2010 to provide state licensing information to the general public. Finally, states also made considerable progress on coordinated supervision of mortgage entities through multi-state examination procedures and supervisory actions.

The 2010 accomplishments discussed in this report are part of a multi-year coordinated state effort through the Conference of State Bank Supervisors (CSBS)ⁱⁱ and the American Association of Residential Mortgage Regulators (AARMR)ⁱⁱⁱ to increase consumer protection, enhance state supervision and streamline the licensing process in the residential mortgage industry.

NMLS is a web-based application which (1) enables state-licensed mortgage lenders, brokers and loan originators to apply for, amend, update or renew licenses online using a single set of uniform applications; and (2) will allow federally regulated depository institutions and subsidiaries to register MLOs as required by the final rule^{iv} promulgated by the federal agencies.^v The System benefits industry and regulatory users by providing efficiency, uniformity and enhanced supervision. More information about NMLS can be found on the *NMLS Resource Center*.^{vi}

In early 2011, SRR held its third NMLS User Conference in Florida for industry and regulators with more than 400 participants, up from nearly 300 participants that attended the 2010 NMLS User Conference held in California.

States, territories and industry provided significant resources that made possible new NMLS functionality and enhancements, as well as the NMLS state test components for 27 states. Our sincere thanks and appreciation go out to the numerous committees, task forces and working groups that made this progress possible, including the NMLS Ombudsman, Mortgage Licensing Policy Committee (MLPC), Mortgage Testing and Education Board (MTEB), SRR Lawyers Committee, Residential Mortgage Regulatory Taskforce (RMRT), and Mortgage Advisory Council (MAC). In 2010, states contributed \$3 million to develop NMLS, for total state contributions since NMLS inception of \$16 million.

Letter from the SRR Board of Managers

In the next several years, SRR will focus on continued implementation of and compliance with the SAFE Act; work with the federal banking agencies, Farm Credit Administration and Consumer Financial Protection Bureau (CFPB) to register MLOs; improve NMLS functionality, operations and services; and expand NMLS into other non-depository industries.

Sincerely,

The Board of Managers
State Regulatory Registry LLC

Gavin Gee, Chairman and Director of Finance, Idaho Department of Finance
Charles Vice, Treasurer and Commissioner, Kentucky Department of Financial Institutions
John Allison, Manager and Commissioner, Mississippi Department of Banking and Consumer Finance
David Cotney, Manager and Commissioner, Massachusetts Division of Banks
Darin Domingue, Manager, AARMR Representative and Deputy Chief Examiner, Louisiana Office of Financial Institutions
William Haraf, Manager and Commissioner, California Department of Financial Institutions
Garret Komjathy, Manager and Director, New Jersey Department of Banking and Insurance
John Ducrest*, Manager, CSBS Chairman and Commissioner, Louisiana Office of Financial Institutions
Neil Milner*, Secretary, Manager and CSBS President and CEO
William Matthews*, Manager and SRR President and CEO

**Non-voting members of the SRR Board of Managers*

-
- i State Regulatory Registry LLC is a wholly owned subsidiary of CSBS and operates the Nationwide Mortgage Licensing System and Registry (NMLS) on behalf of state mortgage regulators. Voting members of the Board of Managers consist of seven state mortgage regulators. Formed in 2006, SRR is a non-profit corporation based in Washington, D.C.
- ii 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 Virgin Islands. State banking regulators supervise over 5,600 state-chartered financial institutions. Further, the majority of 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.
- iii 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.
- iv The federal agencies' final rule can be found in the *Federal Register* at 75 FR 44656 (July 28, 2010); the Final Rules Supplementary Information section was reprinted at 75 CFR 51623 (August 23, 2010) with corrected footnote numbering.
- v The federal agencies are the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration and the Farm Credit Administration.
- vi <http://mortgage.nationwidelicencingsystem.org>

In 2010, SRR spent significant resources to transition states onto NMLS, increase System functionality to meet SAFE Act requirements, and improve NMLS functionality and operations for industry and state mortgage regulators. Major milestones achieved by the states, SRR and NMLS during the year include:

- 24 new state agencies began using NMLS as the system of record for their licensees, bringing the total number of state agencies participating on the System to 58.
- All states required licensees to meet state law requirements contained in the SAFE Act.
- SRR entered into a contract with the federal agencies to modify NMLS to register MLOs and their employers that are depository or farm credit institutions, or federally regulated operating subsidiaries as required by the agencies' final rule.
- Major functionality was added to NMLS, including *NMLS Consumer Access*, criminal background checks, credit checks, enhanced renewals and registration of depository MLOs (registration became operational on January 31, 2011).
- NMLS developed and launched 27 additional unique state test components for MLOs for a total of one national and 52 individual state test components. NMLS administered more than 368,000 test components in 2010, bringing the total administered since July 2009 to 396,390 test components.
- NMLS continued to manage existing and approve new course providers. In 2010, 90 new course providers were approved, for a total of 247 approved course providers, who delivered 1,913,903 hours of education through 974 NMLS-approved courses.
- The MTEB conducted numerous administrative procedures concerning MLO testing and education matters, courses and providers.
- As part of SAFE Act requirements for MLOs, NMLS implemented and completed a state agency certification process to recognize previously completed state testing and education.
- SRR held two public industry meetings with the NMLS Ombudsman.
- NMLS managed 176,032 unique entities (companies, branches and MLOs) which held 296,975 state licenses from the 58 participating state agencies.
- Four state mortgage regulatory agencies received certificates of accreditation by the CSBS/AARMR Mortgage Accreditation Program. Such agencies are considered compliant with the SAFE Act supervisory performance standards under HUD's proposed SAFE Act rule.
- NMLS collected and disbursed \$76 million in state license fees.
- *NMLS Call Center* answered more than 739,865 inquiries from users.
- *NMLS Resource Center* received 4.6 million visits.
- SRR conducted more than 29 industry and regulator user training sessions, instructing more than 2,500 professionals.
- NMLS processing fees remain unchanged for the third straight year of System operations.¹

¹ <http://mortgage.nationwidelicencingsystem.org/about/Pages/SystemFees.aspx>

Organizational History & Background

State Regulatory Registry LLC

SRR is a wholly owned subsidiary of CSBS (Appendix A) and operates NMLS on behalf of state mortgage regulatory agencies. SRR is governed by a Board of Managers comprised of state banking regulators and a representative of AARMR (Figure 1). The SRR Board of Managers is responsible for all development, operations and policy matters concerning NMLS.

At the end of 2010, SRR employed 24 full-time professionals in Washington, DC, who work under the direction of the SRR Board of Managers to develop, enhance and operate NMLS; administer the testing and education programs; and facilitate the working groups of state and federal regulators and industry related to state licensing, federal registration, supervision and NMLS policy. Additionally, SRR contracts with the federal agencies to register depository MLOs and their employers as required by the SAFE Act, as well as with other firms to deliver various portions of NMLS functionality and program oversight.

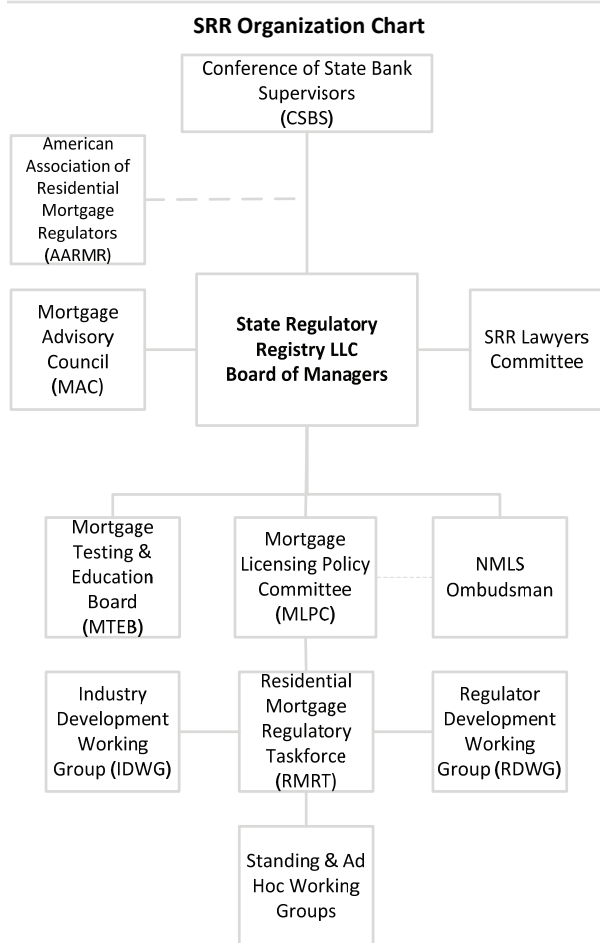


Figure 1. SRR Organization Chart

NMLS Ombudsman

In 2009, the SRR Board of Managers created the position of NMLS Ombudsman. The NMLS Ombudsman provides the mortgage industry and other interested parties with a neutral venue to discuss issues or concerns regarding NMLS and mortgage licensing. The objective of the NMLS Ombudsman is to foster constructive dialogue between NMLS industry users and state regulators to mutually work toward the goal of modern and efficient mortgage regulation.

The NMLS Ombudsman is a member of the MLPC and reports directly to the SRR Board of Managers. The current NMLS Ombudsman is Deborah Bortner, Director of Consumer Services, Washington Department of Financial Institutions. The NMLS Ombudsman held two public meetings in 2010 in conjunction with the NMLS User Conference in February and AARMR Annual Regulatory Conference in August. The NMLS Ombudsman will continue to hold at least two public meetings per year. In addition, the NMLS Ombudsman received nearly 170 emails from individuals around the country seeking the NMLS Ombudsman's assistance in one or more licensing related matters. 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*.

Mortgage Licensing Policy Committee

In 2008, the SRR Board of Managers created the MLPC to assist in decision-making and handling operational and policy matters related to NMLS operations and development. The MLPC is comprised of 11 state mortgage regulators representing each of the CSBS Districts.

Mortgage Testing and Education Board

In 2009, the SRR Board of Managers created the MTEB. The MTEB is comprised of nine state regulators representing each of the CSBS Districts and at least one AARMR representative. More details on the MTEB can be found in the Testing and Education section.

Mortgage Advisory Council

In 2008, the SRR Board of Managers created the MAC to provide industry input on System policies and operations. MAC members consist of mortgage lenders and brokers and industry trade associations. The group meets periodically with the SRR Board of Managers or the MLPC.

SRR Lawyers Committee

In 2010, the SRR Board of Managers created the SRR Lawyers Committee. Committee members are comprised of attorneys from state mortgage regulatory agencies. The Committee typically meets bi-weekly 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.

Residential Mortgage Regulatory Taskforce

In 2005, the RMRT was created and includes representation from every state mortgage regulatory agency. RMRT typically meets monthly to guide and discuss NMLS policy, process and development.

Regulator Development Working Group

In 2006, the RMRT created the Regulator Development Working Group (RDWG), which is comprised of mortgage regulators representing a minimum of five states. The RDWG typically meets weekly and serves as regulatory subject matter experts on NMLS detailed requirements and development processes.

Industry Development Working Group

In 2006, the Industry Development Working Group (IDWG) was created. It is comprised of NMLS industry users. IDWG typically meets monthly to discuss NMLS operations, enhancements and development issues.

Membership of the SRR Board of Managers, MLPC, MAC, MTEB, SRR Lawyers Committee, RDWG and IDWG can be found in Appendix C.

NMLS Operating Highlights

Completing State Transitions

At the end of 2010, all states had transitioned to NMLS (Figure 2) and required MLOs to meet SAFE Act requirements, including testing, education, credit report and criminal background checks. A total of 24 state agencies² began using NMLS in 2010 and a variety of training activities and publications on the *NMLS Resource Center* were devoted to preparing both regulators and licensees for the transition and meeting the SAFE Act requirements. More than 29 training sessions for both industry and regulator users were conducted, including East and West coast in-person training sessions for regulators. In total, more than 2,500 industry professionals received training in 2010.

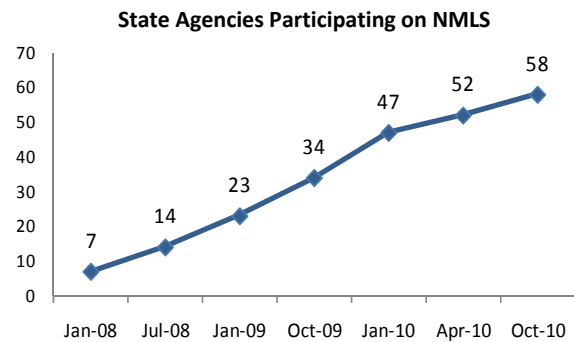


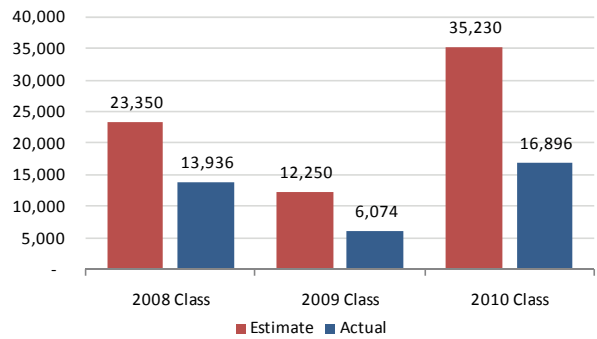
Figure 2. State Agencies Participating on NMLS

The 24 state agencies that joined NMLS in 2010 managed the largest group of licensees to transition to NMLS in the past three years. Figure 3 shows the states' estimate of the number of licensed company and individual licensees (red bars) from 2008 through 2010, compared with the number of licensees that actually transitioned onto the System (blue bars). The actual number of individual MLOs transitioning onto NMLS in 2010 was greater than in the previous two years, and the decline from estimated to actual licensees was comparable with previous years. Estimates were based upon "pre-NMLS" license counts or estimates provided by state regulators. The decrease in licensees is likely a result of the decline in mortgage loan origination volumes over the past several years, as well as the additional professional requirements (i.e., testing, education, and criminal and credit checks) contained in the SAFE Act.

NMLS Operations

In addition to adding 24 state agencies, NMLS also expanded its functionality to meet the SAFE Act

Company Licenses Transitioned onto NMLS As of December 31, 2008-2010



Individual Licenses Transitioned onto NMLS As of December 31, 2008-2010

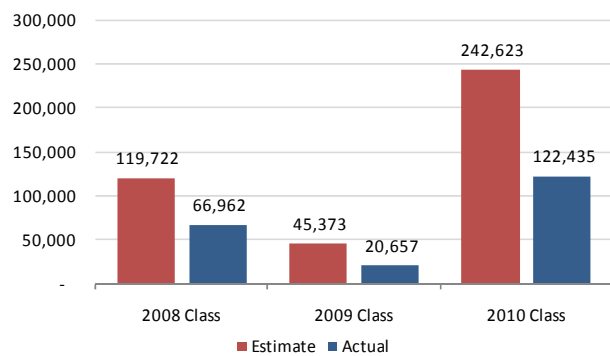


Figure 3. Company & Individual Licenses Transitioned onto NMLS (As of December 31, 2008-2010)

requirements in 2010. Testing and education functionality was added in 2009 and 2010, and criminal background checks and credit reports were added in January 2010.

2009-2010 Licensing & Professional Standards Activity

Licensing - Company, Branch & Individual	2009	2010
New (and Transition) License Requests	73,942*	240,929
Amendment Requests	172,531	454,969
Renewal Requests	83,530	156,893
Surrender Requests	5,262	7,796
Sponsorship Requests	52,955	116,326
Sponsorship Removal Requests	32,026	51,750
Other Requests	2,586	4,373
Professional Standards	2009	2010
National Test Components Taken	17,099	164,448
State Test Components Taken	10,724	204,119
State Tests Certified	-	40,471
Classroom Hours of Education Completed	421,135	1,913,903
Classroom Hours of Education (PE) Certified	-	1,164,860
Credit Reports Requested	-	108,132
Criminal Background Checks Requested	-	192,049

*Corrected from 2009 SRR Annual Report

Figure 4. 2009-2010 Licensing & Professional Standards Activity

² CA Department of Corporations, CA Department of Real Estate, CO, FL, HI, IL, KS, ME Office of Consumer Credit Regulation, MN, MO, MT, NJ, NV, OH, OR, SC Board of Financial Institutions, SC Department of Consumer Affairs, TX Office of Consumer Credit Commissioner, TX Department of Savings and Mortgage Lending, UT Division of Financial Institutions, UT Department of Real Estate, VI, WI, and WV.

NMLS Operating Highlights

Unique Company & Individual Entities Managed in NMLS
As of December 31, 2008-2010



Figure 5. Unique Company & Individual Entities Managed in NMLS (As of December 31, 2008-2010)

Annual Renewals Processed in NMLS
As of December 31, 2008-2010

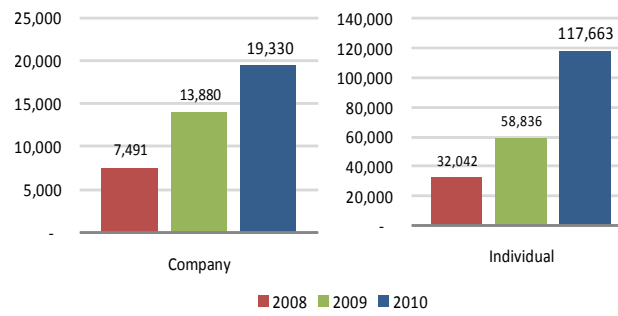


Figure 7. Annual Renewals Processed in NMLS (As of December 31, 2008-2010)

Company & Individual Licenses Managed in NMLS
As of December 31, 2008-2010

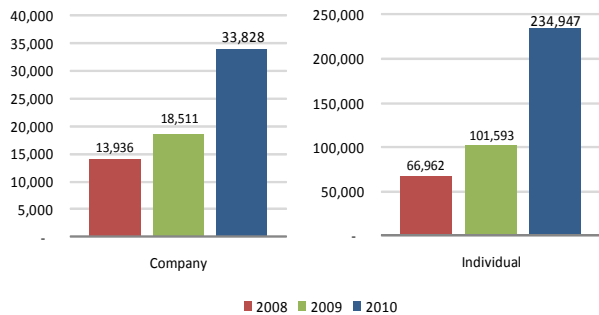


Figure 6. Company & Individual Licenses Managed in NMLS (As of December 31, 2008-2010)

NMLS processes a variety of transactions for System users. NMLS assists regulators in supervising their licensed entities and enables licensees to apply for and maintain a license. The most common transactions performed through NMLS are license amendments and renewals. An amendment occurs each time a licensee's record is updated, whereas renewals are submitted annually.

Figure 4 highlights the activity that took place on the System in 2010.

As the system of record for state mortgage regulatory agencies, NMLS is able to track the number of unique companies and individuals, as well as the number of licenses they hold in participating states. For example, a company licensed in three states would count as one unique entity holding three licenses.

As of year-end 2010, NMLS managed 17,490 unique companies and 139,390 individuals with a state license or pending application (Figure 5). The 2009-2010 increase in the number of unique companies and individuals managed in NMLS is primarily due to the number of additional states using the System.

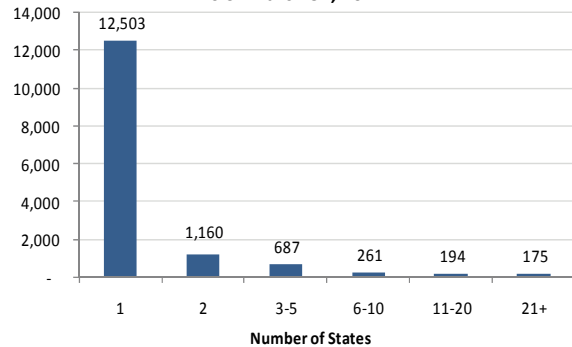
Total company, branch, and MLO licenses being managed on NMLS at year-end 2010 were 296,975, a 120 percent increase from the 134,731 licenses the prior year (Figure 6).

In 2010, 156,893 company, branch, and individual renewal requests were submitted through NMLS for company, branch, and individual licenses in 51 state agencies that required renewal. This represents an 88 percent increase from 2009 when 27 states processed renewals through NMLS (Figure 7).

State Mortgage Licensing

December 31, 2010 saw all states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands participating in NMLS to license mortgage companies,

Companies Operating in Multiple State Agencies
As of March 31, 2011



MLOs Operating in Multiple State Agencies
As of March 31, 2011

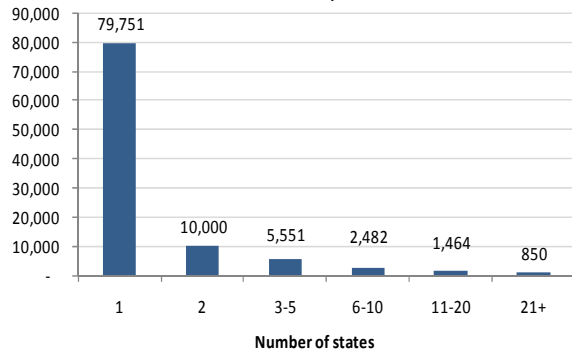


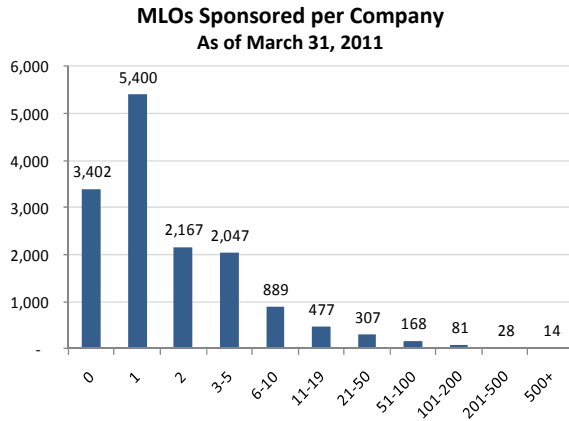
Figure 8. Companies & MLOs Operating in Multiple State Agencies (As of March 31, 2011)

NMLS Operating Highlights

MLOs per Company
As of March 31, 2011

Item	Average
Average MLOs per Company	5.5
Average MLO Licenses per Company	9.9
Average Licenses per MLO	1.8

Figure 9. MLOs per Company (As of March 31, 2011)



Note: The following state agencies do not require sponsorship, so MLOs in these states would appear as having "0" sponsorships: CO, DE, FL, KY, ME, MO, TX OCC, and UT DFI.

Figure 10. MLOs Sponsored per Company (As of March 31, 2011)

branches and MLOs. This represents the beginning of the ability to present comprehensive information about the status of state mortgage supervision. This section presents several nationwide figures which highlight the diversity of companies and individuals within the state-supervised mortgage industry. The data also underscore the value of NMLS in unifying this diverse industry in a single system, providing greater transpar-

ency for the general public and policymakers.

Figure 8 shows that the large majority (83 percent) of companies licensed through NMLS operate in just one state, with a small percentage operating in more than ten states (2.5 percent). Figure 8 also shows that under state supervision, mortgage loan origination is still very much a local in-person activity, with the vast majority of MLOs (80 percent) holding just one license. The MLO population, though, is diverse:

- More than 20,000 MLOs are licensed in 2 or more states.
- More than 2,300 MLOs are licensed in 11 or more states.
- 118 MLOs are licensed in 35 or more states.

On average, each company licensed through NMLS employs 5.5 MLOs, with the largest number of companies sponsoring just one MLO, likely indicating that the "company" is a sole proprietor (Figure 9). Again, there is great diversity in the state-supervised mortgage industry as 14 companies each sponsor more than 500 MLOs.

In many states, an MLO cannot conduct loan origination activities without being employed by a company. Also, many states require an MLO to be covered by the company bond, or else obtain an individual bond. "Sponsorship" is how the company indicates this employment relationship to a regulator (Figure 10).

Mortgage companies within the state-supervised

Company Activities

Description	Companies	% in NMLS
First Mortgage Loan Brokering	13,298	89%
Second Mortgage Loan Brokering	11,065	74%
First Mortgage Lending	3,308	22%
Second Mortgage Lending	2,466	16%
First Mortgage Servicing	1,322	9%
Second Mortgage Servicing	1,068	7%
Home Equity Loans, including Lines of Credit	7,038	47%
Federal Housing Administration (FHA) Insured Loans as an Approved Loan Correspondent	4,473	30%
Federal Housing Administration (FHA) Insured Loans as an Approved Direct Endorsement Mortgage	1,376	9%
Ginnie Mae Approved Issuer/Servicer	340	2%
Fannie Mae Approved Seller/Servicer	1,076	7%
Freddie Mac Approved Seller/Servicer	940	6%
Loans Guaranteed by the Veterans Administration (VA)	5,292	35%
Reverse Mortgage Loans	3,515	23%
High Cost Home Loans (refer to various state definitions of covered transactions)	1,173	8%
Other Mortgage Products and Settlement Services	1,105	7%
Credit Insurance	208	1%
Other Mortgage-related Business	598	4%
Engaged in Non-mortgage-related Business	3,269	22%

Figure 11. Company Activities

NMLS Operating Highlights

mortgage industry are involved in a wide range of activities (Figure 11). Consistent with the findings above relating to company size, the vast majority of companies in NMLS appear to be small companies involved in first mortgage loan brokering. Notwithstanding the smaller size of these firms, they are crucial in providing product diversity to consumers: 47 percent provide home equity lines, 35 percent provide loans guaranteed by the Veterans Administration, and 23 percent provide reverse mortgage loans.

Preparing for Federal Registration

Both NMLS and the *NMLS Resource Center* were modified in anticipation of the registration in NMLS of MLOs employed by federally regulated institutions in 2011.³ At the direction of the federal agencies, specific NMLS functionality was developed to accommodate the federal registration process and requirements. Industry outreach, primarily through state and national trade associations, was conducted in an effort to provide institutions with the ability to begin preparing for the *NMLS Federal Registry* in advance of its opening. The *NMLS Resource Center* was updated with training and support materials to assist institutions for the federal registration process and to navigate the *NMLS Federal Registry*.

NMLS Call Center

The *NMLS Call Center*, located in Rockville, Maryland, provides live support to NMLS users Monday through Friday from 9:00 am to 7:00 pm (ET). By assisting users in navigating through a new electronic system, the *NMLS Call Center* plays a key role in the System's success. Figure 12 provides 2009 and 2010 statistics for call center activity. The call center re-

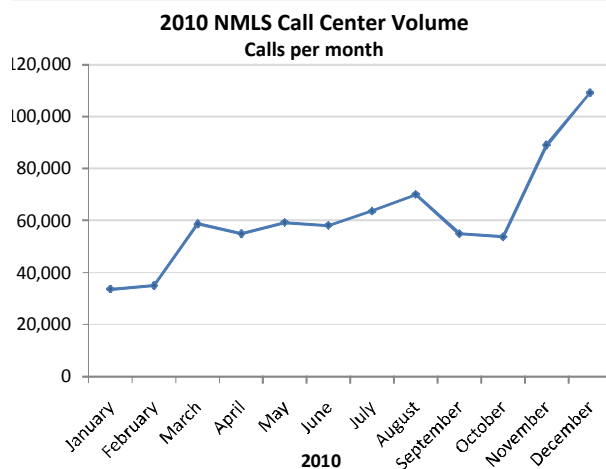


Figure 12. 2010 NMLS Call Center Volume (Calls per month)

³ The NMLS Federal Registry formally opened on January 31, 2011.

2008-2010 NMLS Call Center Statistics

Calls per year

2008	2009	2010
147,758	201,280	739,865

Figure 13. 2008-2010 NMLS Call Center Statistics (Calls per year)

ceived 739,865 calls in 2010, with spikes in call volume during SAFE Act compliance deadlines, annual renewal, state transition deadlines and implementation of new functionality. The increased volume between October and December was generated by the annual renewal process.

By year-end 2010, call center staffing was drastically increased to meet demand. The *NMLS Call Center* began in 2010 with 39 full-time professional staff and ended the year with 103. Figure 13 compares call center statistics from 2008 to 2010. The *NMLS Call Center* is funded through NMLS processing fees and operates at no additional charge to System users.

During the year, the *NMLS Call Center* provided tours to SRR and CSBS board members. SRR Chairman Gavin Gee (Figure 14) participated in industry user calls with an *NMLS Call Center* representative.

NMLS Call Center Visit by SRR & CSBS Board Members

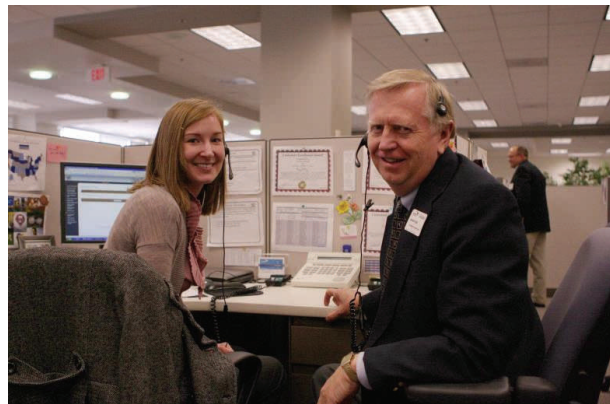


Figure 14. NMLS Call Center Visit by SRR & CSBS Board Members

NMLS Policy Guidebook and Processes

Throughout 2010, SRR developed and updated NMLS policies, procedures, and work processes to maintain and improve the System's day-to-day operations. Some highlights include:

- Updates to the NMLS Policy Guidebook based on new NMLS functionality and policy decisions made by the MLPC.
- Research on Employer Identification Number (EIN) change requests submitted through the *NMLS Call Center*. The EIN is one factor that maintains the unique

NMLS Operating Highlights

nature of NMLS records, and no changes to the EIN are made without SRR approval and regulator knowledge.

- Modifications to security procedures for users requesting information from the *NMLS Call Center* about a specific company record.
- Updates to *NMLS Call Center* work procedures.

NMLS Resource Center

The *NMLS Resource Center* serves as the gateway to NMLS. It provides NMLS users with state licensing information and deadlines, training materials, tools and tips to assist licensees with their use of NMLS. In 2010, the *NMLS Resource Center* was expanded to include an area for federal registration, where instructions, requirements and helpful resources for federally regulated institutions and their MLOs are available. The site was also reviewed and modified in order to meet Section 508 accessibility standards which require electronic and information technology to be accessible to individuals with disabilities.

New document management functionality was added to the *NMLS Resource Center* in 2010 to allow state regulators to review and edit their licensing documentation online. More than 1,200 distinct state licensing documents are maintained on the *NMLS Resource Center*, and the new document management

system has improved efficiency and accuracy.

The *NMLS Resource Center* (Figure 15) had 4.6 million visitors who viewed 17.7 million pages in 2010 – a 250 percent increase from 2009.

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 any topics to all other regulators to obtain feedback on work processes, enforcement policies and best practices. The agenda consists of topics and issues submitted by regulators. The Regulator Open Forum calls allow for all state agencies to develop more uniform practices and policies within NMLS.

In 2010, topics discussed included managing SAFE Act compliance for all MLOs; requirements for disclosure questions; communicating with entities in NMLS; license revocations; direct and indirect owners, criminal background check and credit report requirements; and testing and education information.

NMLS User Conference

The third annual NMLS User Conference was held from February 7-10, 2011 in Florida, with more than 400 participants in attendance, up from nearly 300 participants that attended the 2010 conference in California (Figure 16). Regulators, industry System

NMLS Resource Center Home Page

About NMLS | Contact Us | Got Feedback? | [Regulator Sign In](#)

NMLS NMLS Resource Center [Log into NMLS](#)

Home News & Events State Licensing Federal Registration Professional Standards Course Providers

Welcome to the NMLS Resource Center
The NMLS Resource Center is the official gateway into the Nationwide Mortgage Licensing System & Registry (NMLS) and provides users with tools, tips, news and updates.

Getting Started
Company or Institution

Getting Started
Mortgage Loan Originator

Popular Links
[SAFE Compliance Blog](#)
[Mortgage Call Report](#)
[Federal Registration](#)

NMLS NATIONWIDE MORTGAGE LICENSING SYSTEM & REGISTRY
consumer access

Federal Registry
Four-Part Training Series

Mortgage Call Report
Training Workshops

NMLS News & Events
Mortgage Call Report Training Workshop
NMLS is sponsoring a web-based training workshop on the NMLS Mortgage Call Report. The workshop will provide companies with an overview of the requirements and "how to" for submitting the Mortgage Call Report in NMLS, which is coming to NMLS on May 2nd. Workshop sessions will be offered in April and May. For more information see [MCR Workshops](#).

Reg Z Notice Added to All SAFE MLO Tests
Changes to Regulation Z, Loan Originator Compensation will go into effect on April 1, 2011. The Rules of Conduct presented to test candidates will be modified to instruct candidates that questions on the SAFE MLO Test will not reflect the changes to Regulation Z until further notice. For more information see [Testing](#).

CSBS Seeks Comment on Proposed Fees for M&As
CSBS is inviting comment on proposed fees for the transfer of Federally Registered Mortgage Loan Originators following mergers, acquisitions and reorganizations. More information can be found here: [Proposals for Comment](#). Comments on the proposed fees are due April 25, 2011.

Agency News
PR Adding MLO License April 29
The Office of the Commissioner of Financial Institutions of Puerto Rico will start accepting new mortgage loan originator applications through NMLS starting April 29, 2011. For details see the [PR OCIF Website](#).

Figure 15. NMLS Resource Center Home Page

users, education providers, consultants, and other interested parties came together to engage a variety of topics on NMLS and mortgage regulation. The 2011 NMLS User Conference was particularly noteworthy as it brought state and federal regulators together with state licensees and federal registrants. Active discussions were held concerning SAFE Act compliance, Mortgage Call Report requirements and implementation, uniformity of state laws, multi-state regulatory efforts, testing and education, federal registration of MLOs, and many more topics.

2011 NMLS User Conference Panel & Participants



Figure 16. 2011 NMLS User Conference Panel & Participants

NMLS Functionality Enhancements

NMLS design and development, including Mortgage Uniform (MU) Forms, is accomplished through various working groups, task forces and committees populated by state mortgage regulators, industry and SRR staff. Countless volunteer hours have gone into this process and have been crucial to NMLS' design and smooth operations. In 2010, there were four major System releases, which occurred in January, April, July and October.

Highlights of functionality enhancements include:

Non-Depositories: Licensing

- **Livescan Fingerprint Collection and Integration.** Throughout late 2009 and early 2010, approximately 600 fully integrated Livescan locations were made available to NMLS users.
- **Federal Bureau of Investigation (FBI) criminal background check processing.** MLOs request and authorize a criminal background check, schedule an appointment to have their fingerprints captured, submit the fingerprints to the FBI and generate criminal history record information (CHRI) for storage, viewing and reporting in NMLS.
- **NMLS Consumer Access.** The launch of a fully searchable website that allows consumers to view information concerning state-licensed companies, branches, and individuals licensed in NMLS, free of charge.
- **Bi-annual MU Form Changes.** Changes to the MU Forms to improve the licensing application process.
- **NMLS Payment Processing.** The NMLS payment processor for Automated Clearing House (ACH) and credit card transactions was replaced.
- **Pre-licensure Education and State Test Certification.** The ability for 35 state agencies to certify through NMLS previously completed MLO pre-licensure mortgage education and/or completion of a state mortgage test.
- **SAFE Act Compliance Reporting.** Report monitoring capability for MLOs' compliance with SAFE Act pre-licensure education and testing requirements.
- **Credit Reports.** The ability for MLOs to request a credit report that is stored and viewable by state regulators in NMLS.
- **System Performance Enhancements.** Enhancements to maintain and improve NMLS' performance as System usage and functionality increase significantly.
- **Renewal Enhancements.** Enhancements to improve the renewal process for licensees and regulators.

NMLS Operating Highlights

NMLS Federal Registry: Depository and Farm Credit Institutions

- The SAFE Act required the federal agencies to jointly develop and maintain a federal registration system for individual employees of federally regulated institutions who engage in the business of residential mortgage loan origination. The SAFE Act requires individual MLOs employed by these federally regulated institutions to be registered with NMLS. The federal agencies contracted with SRR to build and maintain federal registry functionality within NMLS. The *NMLS Federal Registry* opened January 31, 2011, and allowed the federally regulated institutions to register their MLOs in accordance with the SAFE Act and the federal agencies' July 29, 2011 deadline.
- Section 508 Compliance. NMLS and the *NMLS Resource Center* were modified to comply with Section 508 of *The 1998 Rehabilitation Act*, which requires federal agencies to make electronic and information technology accessible to individuals with disabilities.
- Two-factor Authentication. A two-factor authentication mechanism compliant with National Institution of Standards (NIST) Level 3 e-authentication assurance is required by the federal agencies for *NMLS Federal Registry* users that have access to multiple registered MLO records. These users will require a name and password, and a second factor comprised of a software or hardware token when logging into NMLS.

The NMLS development schedule by release can be found in Appendix B.

Summary of Public Comment Requests

Active and archived proposals issued for public comment are available on the *NMLS Resource Center*. The following three proposals were issued in 2010:

- On March 15, 2010, comments were requested on the policies and fees associated with *NMLS Education Services and Processes*.
- On March 15, 2010, comments were re-

quested on the *NMLS Mortgage Call Report*.

- On October 14, 2010, comments were requested on proposed fees associated with the *NMLS Federal Registry*.

Public comments are used by the SRR Board of Managers and staff as part of the decision-making process on major system or policy issues. Copies of all proposals, received comments and responses to comments can be found on the *NMLS Resource Center*.

Security, Privacy and Breach Policies

NMLS (1) complies with Federal Information Security Management Act (FISMA) standards and guidelines set by NIST; (2) meets the moderate baseline security controls contained NIST Special Publication 800-53, *Recommended Security Controls for Federal Information Systems*; and (3) has been fully accredited by all six of the federal agencies (Certification and Accreditation).

SRR did not experience any material issues related to security, privacy or information breach in 2010. NMLS' Privacy, Data Security and Security Breach Notification Policy is available on the *NMLS Resource Center*.⁴

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:

- NMLS Industry Terms of Use or Applicant User Agreement
- NMLS State Agency Terms of Use
- CHRI Terms of Use
- Credit Terms of Use

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

There is a Credit Terms of Use agreement for state-licensed MLOs and state regulators. State-licensed MLOs 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 MLO's credit information before accessing such information. In November 2010, NMLS added func-

⁴ <http://mortgage.nationwidelicencingsystem.org/about/policies/Pages/SystemPrivacyPolicy.aspx>

tionality which allows MLOs to provide a single bureau credit report and score to one or more state regulators in conjunction with a license application or renewal. State regulators use this information as one tool to determine an MLO's financial responsibility as required by the SAFE Act and corresponding state laws or regulations.

The CHRI Terms of Use must be agreed to by an authorized regulator user and restricts the dissemination of CHRI to only authorized recipients and requires state agencies to provide reasonable opportunity for applicants/licensees to respond to regulatory inquiries based on information contained in the CHRI. In January 2010, NMLS began collecting fingerprints and processing criminal background checks through the FBI as part of an MLO's application or renewal process as required by the SAFE Act and corresponding state laws or regulations.

In 2010, there were no changes to the State Agency Terms of Use. The Applicant User Agreement was amended in March 2010 to provide acknowledgment and agreement that certain applicant data may be accessed publicly. This change was implemented in part due to the launch of *NMLS Consumer Access*, which provides the public with information regarding licensees and applicants where a state agency has made a determination on an application.

Copies of the NMLS State Agency and Industry Terms of Use, and the Industry Credit Terms of Use agreements are available on the *NMLS Resource Center*.⁵

Federal Agency Agreement

In July 2010, SRR entered into an agreement with the federal agencies to modify NMLS in order to accommodate the registration of (1) depository and farm credit institutions; (2) these institutions' owned and controlled mortgage subsidiaries that are federally regulated; and (3) MLOs employed by these institutions and subsidiaries. This contract contains specific requirements and operating procedures in order for the *NMLS Federal Registry* to meet the federal agencies' objectives and the requirements contained in the SAFE Act, the federal agencies' final rule, and FISMA requirements (see section *Security, Privacy and Breach Policies*). This contract contains a transferability clause that would allow the contract to transfer to the CFPB under provisions contained in the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank Act, or Dodd-Frank).

NMLS Consumer Access

In January 2010, SRR launched *NMLS Consumer*

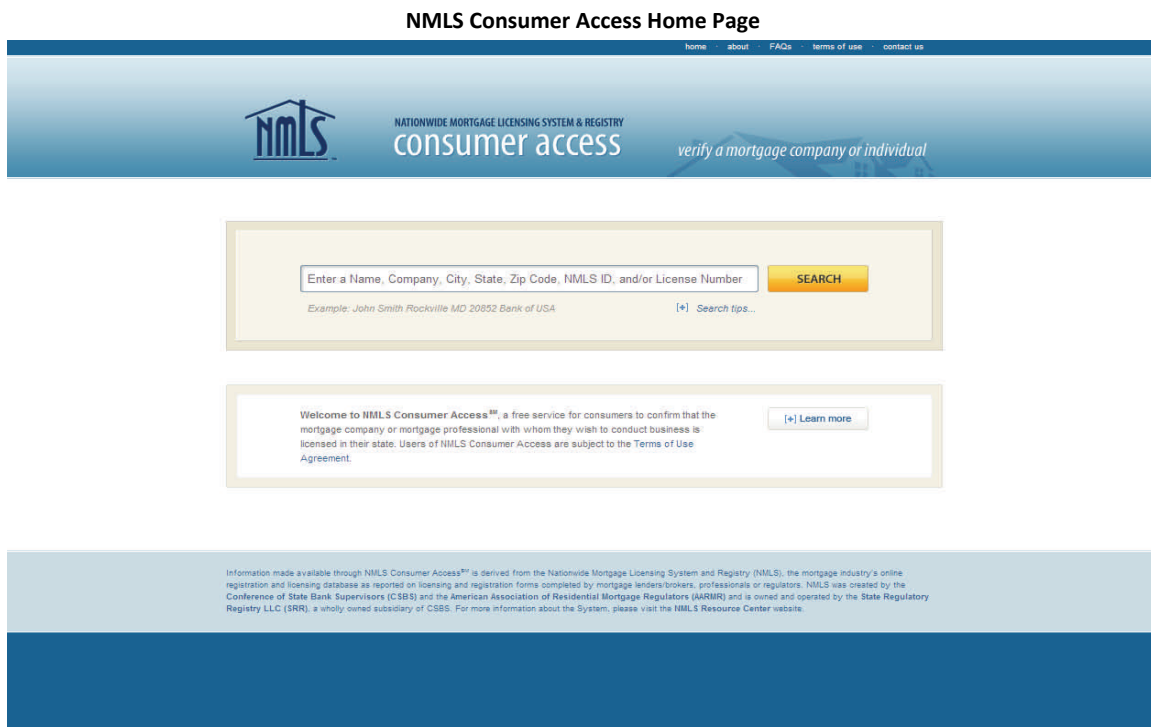


Figure 17. NMLS Consumer Access Home Page

⁵ <https://www.statemortgageregistry.com/Public/Login.aspx>

NMLS Operating Highlights

Access, a fully searchable website that allows the public to view information concerning companies, branches and individuals licensed or registered through NMLS, free of charge (Figure 17).⁶ *NMLS Consumer Access* provides homebuyers and the general public with greater information concerning the companies and professionals in the mortgage industry. As the final group of states transitioned to NMLS in 2010, *NMLS Consumer Access* became an invaluable public resource. By year-end 2010, 400,000 visitors had viewed over 14 million pages on *NMLS Consumer Access*.

NMLS B2B ACCESS

In December 2010, SRR began offering a subscription service that provides a subset of the data available in *NMLS Consumer Access* in a business-to-business (B2B) format. This service gives compliance firms, lenders, investors, and other interested parties the ability to check license status in an automated manner. *NMLS B2B ACCESS* will drive greater compliance and fight fraud by allowing firms to integrate license compliance checks into their origination and investor systems.

This first iteration of the B2B service provides subscribers with access to a weekly download of text files containing a subset of *NMLS Consumer Access* data. Future enhancements to the service are being considered, including daily XML downloads.

NMLS Unique Identifier

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

When a company or individual creates an account in NMLS, an *NMLS Unique Identifier* is automatically

assigned and reserved for use by the applying entity. However, the *NMLS Unique Identifier* is not valid until either (1) a state license (or the denial of a state license) or (2) a federal registration has been issued. The *NMLS Unique Identifier* can be verified for a state licensed company, branch or MLO through *NMLS Consumer Access*.⁷ Financial institutions and subsidiaries that are federally insured or chartered and their MLOs are being registered on NMLS through July 29, 2011, and are not currently included in *NMLS Consumer Access*. These entities will be included shortly after the end of the federal registration transition period.

The benefit of the *NMLS Unique Identifier* 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 (FHA)⁸ must include the *NMLS Unique Identifier* for the company and individual MLO that originated the mortgage loan.

6 Five state agencies do not manage company licenses on NMLS: DE, ME, MO, TX-OCCC, & UT-DFI.

7 Five state agencies do not manage company licenses on NMLS: DE, ME, MO, TX-OCCC, & UT-DFI.

8 See HUD's January 5, 2011 Mortgage Letter at <http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/11-04ml.pdf>.

Overview

2010 was a year of significant change in the financial regulatory landscape. After 18 months of hard work, Congress passed and the President signed into law the Dodd-Frank Act. Dodd-Frank represents Congress's response to the factors seen as contributory to the recent financial crisis and the implosion of the U.S. housing market. One of the key themes of Dodd-Frank is "nowhere to hide," the idea that providers of financial services and actors cannot and should not escape regulatory oversight and accountability. This theme also underlies the work of state regulators in devising NMLS and the work of Congress in passing the SAFE Act in 2008. Though the legislative process of developing Dodd-Frank could have afforded Congress the opportunity to amend the SAFE Act, Congress chose to preserve the structure and the provisions of the SAFE Act, rejecting efforts by various industries to obtain sector-specific relief from the SAFE Act's requirements.

Consumer Financial Protection Bureau

Of particular interest to state mortgage regulators, CSBS, AARMR and SRR, Dodd-Frank creates the CFPB, charged with regulating both bank and non-bank providers of consumer financial services and products. Dodd-Frank consolidates within the CFPB regulatory authority flowing from a multitude of federal consumer financial protection statutes - authority and responsibility that was previously dispersed among various federal agencies. Dodd-Frank explicitly authorizes the CFPB to exercise regulatory and supervisory oversight over the mortgage and payday lending industries. The CFPB will also, by rule, be able to exercise supervisory authority over other larger non-bank providers of consumer financial services and products. For the universe of non-bank consumer financial services providers, the CFPB will be a new federal regulator and, in many instances, a new federal counterpart to existing state regulation.

Among the responsibilities that the CFPB will inherit on the July 21, 2011 "transfer date" is the oversight authority that the SAFE Act originally conferred on HUD. After July 21, 2011, the CFPB will stand in HUD's shoes as a regulator of the System and as the arbiter of state law consistent with the mandates of the SAFE Act. Additionally, the CFPB will also assume responsibility for the contract between SRR and the federal agencies for use of the NMLS for registration of bank MLOs.

Because so many aspects of the CFPB's responsibilities and authorities have implications for state financial regulation, CSBS and Treasury Department

officials charged with establishing the CFPB began discussions about collaboration across a variety of regulatory processes and issues. These discussions included, but were not limited to, briefings for the CFPB about NMLS and its functionalities. An early milestone of this effort was the signing on January 4, 2011, of a Memorandum of Understanding (MOU) between the CFPB, CSBS and several state regulatory agencies. The MOU creates a framework for regulatory collaboration, coordination and information sharing.

SAFE Act

Overview

On July 30, 2008, President 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, contains 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 provides that MLOs who work for an insured depository, an owned or controlled subsidiary regulated by a federal banking agency, or 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.

The SAFE Act gave states one year to pass legislation (Figure 18) establishing these licensing and registration requirements. As the states moved to enact legislation, uniformity in mortgage regulation was fostered and driven as the previously existing state licensing laws were revised in a consistent manner to establish standardized applications, processes, requirements and practices across the nation.

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 (Figure 19).⁹ The Model State Law included standardized definitions, nationwide pre-licensure and continuing education, nationwide testing requirements, and financial responsibility and criminal background standards for MLOs. In a January 5, 2009 notice in the *Federal Register*,¹⁰ HUD formally stated that "HUD has reviewed this model legislation and finds that it meets the minimum requirements of the SAFE Mortgage Licensing Act."

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. Mortgage licensing laws are far more uniform today than ever before, establishing a foundation for better mortgage supervision.

During 2010, state regulators moved aggressively

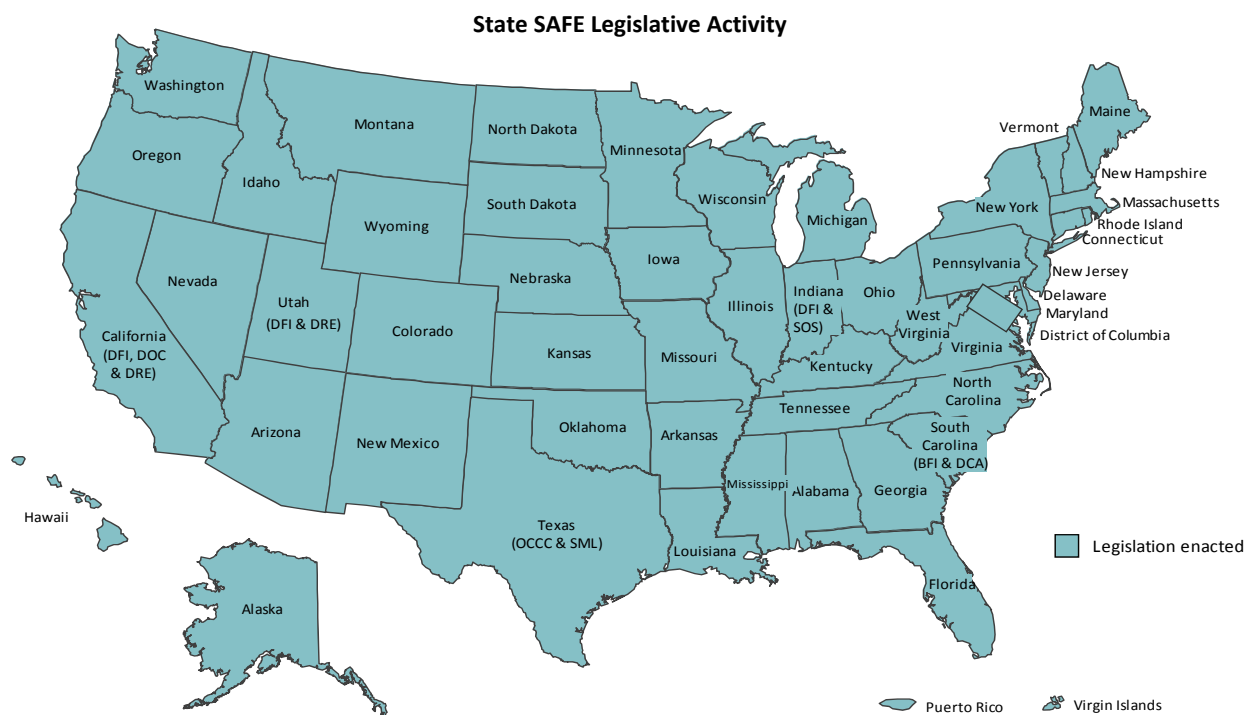


Figure 18. State SAFE Legislative Activity

9 The CSBS/AARMR Model State Law can be found at: <http://mortgage.nationwidelicencingsystem.org/safe/Pages/default.aspx>.

10 The SAFE Mortgage Licensing Act Notification of Availability of Model Legislation can be found at: <http://mortgage.nationwidelicencingsystem.org/safe/Pages/default.aspx>.

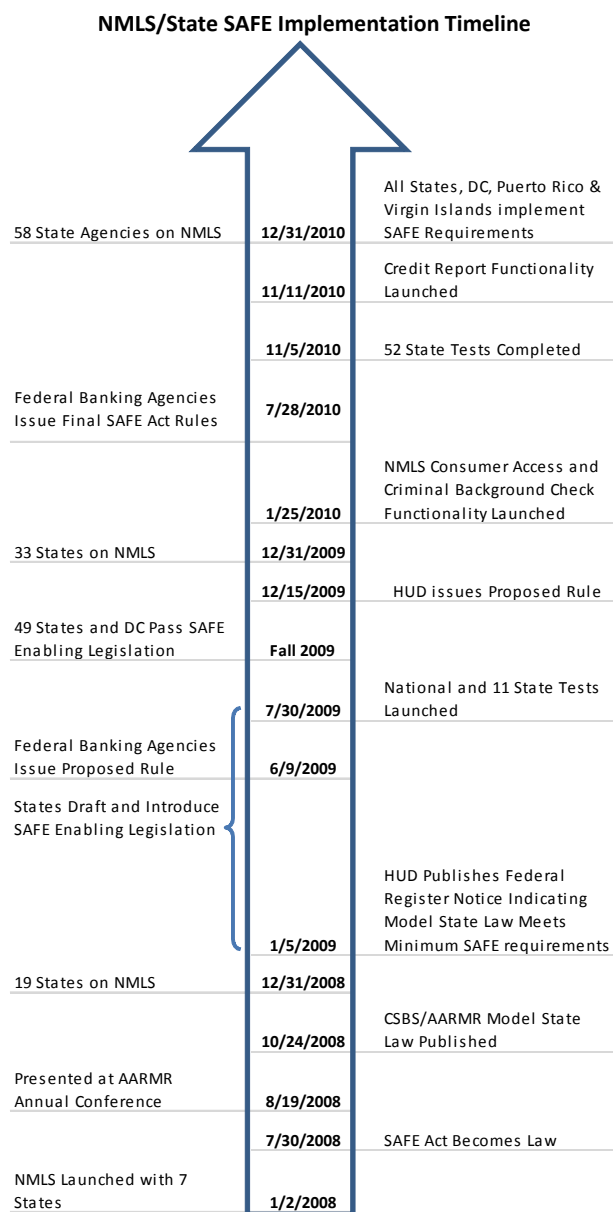


Figure 19. NMLS/State SAFE Implementation Timeline

to quickly implement the new laws which required all existing and new individual MLOs to meet the pre-licensing education requirements, successfully pass both the state and federal components of the licensing test, submit fingerprints for a criminal background check, and meet specified credit standards.

State SAFE Act Requirements & Compliance

The SAFE Act requires state-licensed MLOs to pass a written qualified test, to complete pre-licensure education courses and to take annual continuing education courses (Figure 20). The SAFE Act also requires registered and licensed MLOs to submit fingerprints to NMLS for submission to the FBI for a criminal background check, and state-licensed MLOs to provide authorization for NMLS to obtain an independent credit report.

State legislation must also establish financial responsibility standards and require that all MLOs are covered by a surety bond, net worth requirements, or recovery fund. Additionally, all states must license MLOs through NMLS. HUD must determine that each state's MLO licensing standards meet the federally-mandated minimums and that the state is participating in NMLS.

If HUD determines that a state's MLO licensing standards are not in compliance with federally mandated minimums, then HUD must implement a system to license MLOs in that state in accordance with the SAFE Act. HUD's regulation would be in addition to any state licensing requirements.

As the states completed the process of enacting SAFE-enabling legislation, HUD conducted a preliminary review of those new laws for compliance with the federal law. In late 2009, HUD released a proposed rule, "SAFE Mortgage Licensing Act: HUD Responsibilities," which is anticipated to be finalized in 2011. The agency received more than 5,300 written comments on the proposed rule from a wide range of sources, including trade groups, individuals, lending institutions and state regulatory agencies. The proposed rule clarifies and expands upon the SAFE Act provisions, and HUD will base its determination off state compliance on the language contained in the final rule. The proposed rule mandates that a supervisory authority that is accredited under the CSBS/AARMR Mortgage Accreditation Program will be presumed by HUD to be compliant with required performance standards.

In July 2011, the oversight and regulatory responsibilities currently housed at HUD regarding the SAFE Act will be transferred to the newly established CFPB, as required by the Dodd-Frank Act.

NMLS SAFE Act Requirements & Compliance

In addition to mandating state laws and regulations to meet certain minimum requirements, the SAFE Act contained eight specific mandates for NMLS (Figure 20). To date, six of these mandates have been fully implemented. These include:

- Establishing protocols for the issuance of *NMLS Unique Identifiers*. This mandate was accomplished at System launch, and as of year-end 2010, more than 176,032 unique entities (companies, branches and MLOs) holding 296,975 state licenses from the 58 participating state agencies

SAFE Act

were managed in NMLS and have obtained a valid *NMLS Unique Identifier*.

- Receiving and processing of fingerprints for federal criminal history background checks for all MLOs. An automated, streamlined federal criminal background check process was implemented in NMLS on January 25, 2010. This system includes a national network of approximately 600 fully integrated Livescan locations for capturing fingerprints electronically with the ability for an MLO to provide prints and request a single, criminal background check in any state or U.S. territory for a license application or applications in one or more states or U.S. territories. By year-end, more than 192,000 criminal background checks were requested through this automated process. These criminal histories will be reviewed by state regulators to ensure SAFE Act standards are met.
- Developing and administering a qualified written test. NMLS worked with test development professionals to launch the national component of the SAFE Act mortgage loan originator test on July 30, 2009. Developed with input from industry and regulatory experts, this entry-level test evaluates an individual's knowledge of the basic federal law, mortgage products, ethics, and business practices necessary to be a professional MLO. NMLS administered more than 368,000 test components in 2010, bringing the total administered since July, 2009 to 396,390. NMLS also completed development of an additional 27 unique state test components, bringing the total number of state tests to 52.
- Review and approval of pre-licensure and continuing education courses. NMLS developed an education provider and course approval process that launched in June 2009. NMLS-approved providers can offer NMLS-approved courses that meet the SAFE Act pre-licensure and continuing education requirements in all states. By year-end 2010, there were 247 NMLS-approved course providers, 974 NMLS-approved courses, and more than 1.9 million hours

of approved pre-licensure and continuing education were delivered.

- Providing public access to licensing information on all residential mortgage licensed loan originators. On January 25, 2010, NMLS launched *NMLS Consumer Access*, a website that provides consumers with basic information concerning state-licensed MLOs, free of charge. During 2010, 400,000 visitors viewed over 14 million pages on the *NMLS Consumer Access* website.
- *NMLS Mortgage Call Report*. Prior to the SAFE Act, most states required companies to submit financial statements, and 38 states required an annual report of mortgage activity. A working group of state regulators developed a discussion draft of a mortgage call report that sought to replace these reports with a uniform set of requirements in order to provide state regulators and the industry with the information necessary to better monitor the status of non-depository mortgage companies. After an extensive public

SAFE Act Mandates for NMLS







Description	Status
Establish protocols for issuance of a NMLS Unique ID number.	
Receive and process fingerprints for criminal history background checks for all loan originators.	
Develop a written, qualified mortgage test and approve test providers.	
Review and approve, using reasonable standards, pre-licensure and continuing education courses.	
Develop a mortgage call report.	
Provide public access to licensing information.	
Provide information on disciplinary actions.	2011-2012
Process consumer complaints.	TBD

Figure 20. SAFE Act Mandates for NMLS

comment period and numerous discussions with the state mortgage regulators and industry participants, the *NMLS Mortgage Call Report* was significantly modified to reflect many suggestions from the commenters. The finalized version was adopted by the MLPC in late 2010. The *NMLS Mortgage Call Report* is proposed to be completed by any company that employs licensed MLOs and will be available in the early second quarter of 2011. Recognizing that not all companies are currently participating in NMLS, functionality will be available at a later time to allow individual MLOs to submit the *NMLS Mortgage Call Report*.

The two remaining NMLS mandates are:

- Availability of publicly adjudicated disciplinary and enforcement actions. A working group of state regulators has drafted the policies and processes necessary to make public enforcement actions taken by regulators against mortgage companies and MLOs available on *NMLS Consumer Access*. The ability for state regulators to upload enforcement actions to NMLS is expected to be available in late 2011. Phase 2 of the functionality will be the posting of those actions on *NMLS Consumer Access*, which is slated to be completed in 2012.
- Facilitate the collection and disbursement of consumer complaints on behalf of regulators.

Mortgage Testing & Education

Overview

In 2010, NMLS reached nearly all the milestones in its implementation of SAFE Act testing and education requirements. Highlights in 2010 include:

- Developed and launched 27 additional unique state test components (Figure 21), bringing the total components developed and launched in two years to 52.
- Implemented the maintenance process for the national test component and 12 state test components.
- Administered more than 368,000 test components in 2010, bringing the total administered since July 2009 to 396,390.
- Approved 90 course providers, for a total of 247, who delivered 1.9 million hours of education through 974 NMLS-approved courses.
- Implemented and completed a state agency certification process to recognize previously completed state testing and education.

The rest of this section describes these accomplishments.

Background

The SAFE Act established a number of requirements for NMLS in the areas of testing and education 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 either their pre-licensure education or continuing education requirements.

Test Development

In 2010, 27 additional state test components were developed and launched. Figure 21 illustrates the development of tests in 2009 and 2010. The Financial Industry Regulatory Authority, Inc. (FINRA), and Pearson VUE, a business unit of NCS Pearson, Inc., led the development of a SAFE Act MLO test which featured two parts: a national test component and a state test component.

The national component of the SAFE Act MLO test includes questions concerning federal mortgage laws, MLO activities, general mortgage knowledge

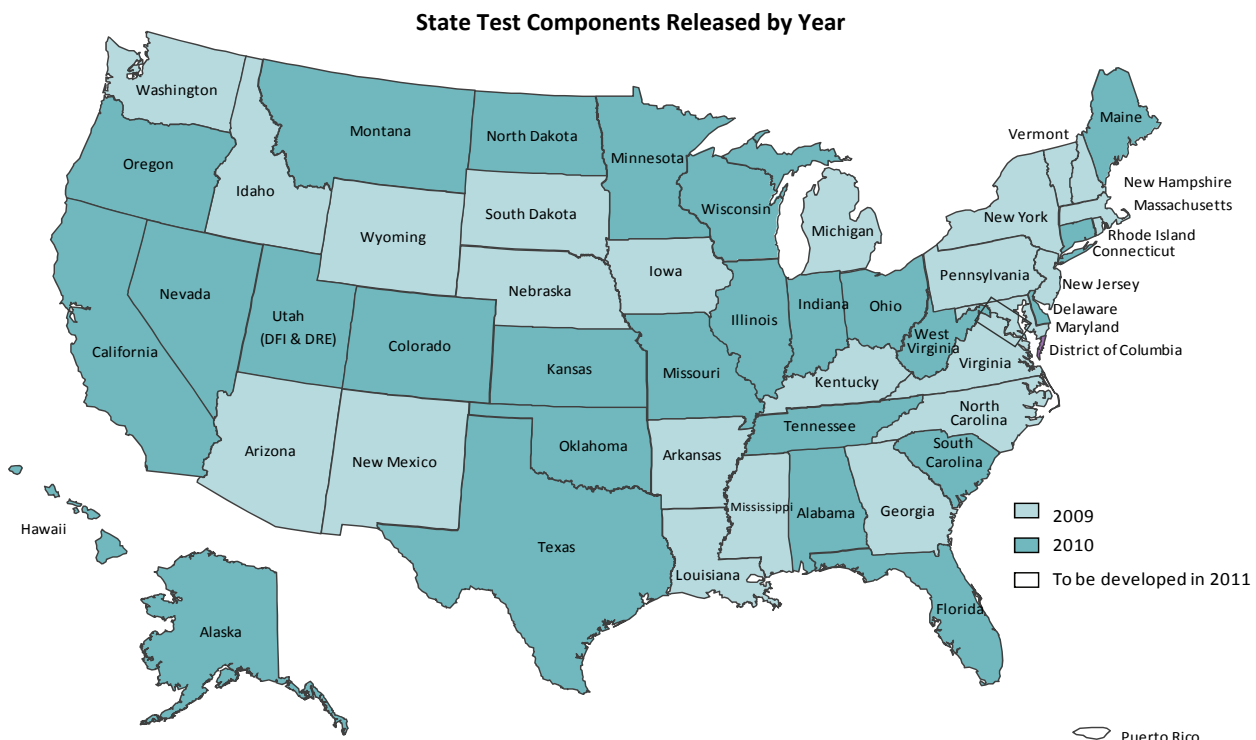


Figure 21. State Test Components Released by Year

and ethics. There are 100 questions on the national test—90 questions are scored and 10 are not scored. Each unique state test component includes the following topic areas: the state’s specific regulatory authority; state law and regulation definitions; state license law and regulation; compliance; and disciplinary action. Each state is able to customize or adjust the state-specific test component to meet its specific needs. State test components can vary in length between 55 and 65 questions—45 to 55 of the questions are scored, and 10 of them are not scored.

More than 90 subject matter experts from across the country participated in the development of the national test component. An additional 300 subject matter experts participated in the development of the state test components.

Test Maintenance

Even as state test components were still being developed and launched, formal maintenance activities were started for 12 of the previously developed state test components. Formal maintenance activities include convening a test maintenance committee to review the performance and content of each test item. In addition to formal maintenance activities, SRR and the test development vendors are regularly monitoring the tests to ensure they are accurate and performing appropriately. SRR, its vendors and the states are regularly reviewing federal and state laws and regulations to ensure that the questions on the test components are accurate and up-to-date. As part of this maintenance effort, SRR occasionally identifies questions which are no longer accurate or performing appropriately. In such instances, the tests are revised and republished. SRR notifies candidates whose results have been negatively impacted by these events and corrects their NMLS testing records. Part of the maintenance effort includes the “Test Content Comments and Challenges” process where candidates can challenge questions that they saw on their tests. In

2010, SRR received, researched, and responded to 202 such challenges. SRR formally researches each challenge that is submitted under this procedure.

SRR expects another 25 states to undergo the formal maintenance process in 2011.

Test Administration

By year-end 2010, the national component and 52 state components of the SAFE Act MLO Test were available. Approximately 165,000 national test components and 204,000 state test components were administered in 2010.

MLOs were able to take any of the test components at more than 500 test centers throughout the United States and its territories. The test centers are owned and operated by two FINRA sub-contractors: Pearson VUE and Prometric.

Figure 22 reflects the number of tests administered in 2010, the number of tests which were successfully passed and the pass rates for the national component and a state aggregate by individual.

NMLS updates and posts test performance information on the *NMLS Resource Center* monthly.

2009-2010 Pass Rates by Individual

	National Test	Aggregate State Tests
Total Candidates	137,340	185,658
Candidates Passed	113,709	170,678
Pass Rate	83%	92%

Figure 22. 2009-2010 Pass Rates by Individual

Figure 23 represents the number of tests administered between July 30, 2009 and December 31, 2010. The table includes the number of tests taken, the number of tests passed and the pass rates for first-time test takers. The data further denote the number of tests taken, the number of tests passed and the pass rates for subsequent re-takes of the tests.

2009-2010 Pass Rates by Attempt

	National Test	Aggregate State Tests	Total Tests
Tests Taken 1st Time	137,340	185,658	322,998
Tests Passed 1st Time	94,540	152,128	246,668
Pass Rate 1st Time	69%	82%	-
Tests Subsequent Retakes	43,932	28,919	72,851
Tests Passed Subsequent Retakes	19,259	18,550	37,809
Pass Rate Subsequent Retakes	44%	64%	-
Total Pass Rates for All Tests Administered	63%	80%	-

Figure 23. 2009-2010 Pass Rates by Attempt

Mortgage Testing & Education

Education

By December 31, all existing state-licensed MLOs were required to complete pre-licensure education (PE) requirements to be in compliance with the SAFE Act. In 2010, more than 1.9 million hours of education were delivered, and an MLO completed on average 20.24 hours of PE and completed on average 9.4 hours of continuing education (CE).

By the end of 2010, NMLS had approved a total 247 course providers. Of these, 165 had courses which had been approved and were actively delivering education. The *NMLS Master Course Catalog* contained 974 active courses that could be taken either in a classroom, online or via webinar. During the calendar year, course providers submitted 900 courses for approval: 90 percent of them were approved. The 10 percent of courses denied approval were because of poor or inaccurate content, or the application was abandoned. In August 2010, NMLS began the annual course renewal process, and by year-end, approximately 65 percent of the courses eligible for renewal had been renewed.

In 2010, NMLS began auditing approved courses as a means to evaluate course quality and to ensure education is delivered in accordance with NMLS policies and technical requirements. During 2010, SRR staff and course evaluators audited 60 online PE courses, 33 classroom equivalent courses and 24 online self-study courses. Additionally, as part of a more comprehensive effort to understand students' perceptions of the courses completed, SRR surveyed 930 course offerings and published two *Quarterly Survey Reports* that were made available to the course provider community. The *Quarterly Survey Reports* also assisted SRR to make policy decisions which improved the quality of instruction being delivered.

In the area of operations, SRR staff made improvements in the way it approves courses by transitioning to an electronic format for receiving and handling course materials. The launch of the web-based *Course Approval Portal* in January 2010 eliminated the need to ship and store hard-copy documents, reducing the amount of time it takes to complete an initial course evaluation from 25 business days to 15. The initiative also eliminated a cost for both SRR and course providers by eliminating the shipping fees associated with mailing hard copy documents and other material to Washington, D.C. SRR staff has further enhanced the *Course Approval Portal* to maintain all course records (initial approval, renewals, and audits) within the portal, further reducing the costs associated with archiving and moving documents.

Certification of Testing & Education

In 2010, SRR staff implemented the testing and education process. The plan was reviewed by HUD, approved by the SRR Board of Managers and developed with the guidance of the MTEB. The certification process allowed currently licensed MLOs to use their previously completed state-required education and/or state test results to satisfy SAFE Act testing and education requirements. In 2010, 37 state agencies participated in the certification process.

The testing and education certification process involved four steps. First, the state agency certified that an MLO had successfully completed a state test and/or at least 20 hours of state-mandated education. Next, SRR staff uploaded the MLO's records to NMLS. Third, MLOs were required to pay a fee to process their education records (\$15.00) or their testing records (\$5.00). Finally, upon successful payment, the MLO's records were marked compliant in NMLS.

By December 31, 2010, 98,714 certified testing and education records were processed. This included 58,243 pre-licensure records and 40,471 state testing records.

Mortgage Testing & Education Board

In September 2009, the SRR Board of Managers created the MTEB. The MTEB, which is a successor to the Testing and Education Subgroup of the Implementation Working Group, has both oversight and advisory roles. MTEB is comprised of nine state regulators representing each of the CSBS Districts and includes at least one AARMR representative.

MTEB has administrative responsibility regarding the Rules of Conduct which apply to test candidates and the Standards of Conduct which apply to approved course providers and applicants. MTEB has the authority to investigate complaints of violations of the Rules and Standards of Conduct and can discipline course providers including denying applications or withdrawing approvals. In cases involving test candidates, it may find that an applicant or licensee violated the Rules of Conduct and notify the appropriate state agencies of its findings. By year-end, MTEB had initiated investigations into 27 cases of reported violations of the Rules of Conduct for test takers. It had made findings of violations in eight cases, and nine cases were still ongoing.

MTEB also serves in 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.

Overview

By early 2009, all 50 states, plus the District of Columbia and Puerto Rico, signed the *Nationwide Cooperative Protocol and Agreement for Mortgage Supervision* (Protocol and Agreement). The Protocol and Agreement are companion documents outlining a basic framework for the coordination and supervision of multi-state mortgage entities (those non-depository institutions operating in two or more states). The initiative established the Multi-state Mortgage Committee (MMC) comprised of ten state regulatory officials appointed by CSBS and AARMR to coordinate and direct the examination and enforcement efforts for all states that signed the Agreement.¹¹

Multi-state Mortgage Committee

The MMC is responsible for the selection of examination candidates and coordination of multi-state examinations. In addition, the MMC is responsible for the development of uniform examination processes and the modernization of traditional examination approaches to achieve more effective supervision. The processes are being designed initially to pull data from NMLS and ultimately to coordinate seamlessly with the licensing processes. A major focus of the initiative is the employment of robust examination software to be used in pre-screening the institution's entire loan portfolio to identify overall risk and potential problem areas requiring greater supervisory attention. Through a master services agreement between CSBS/AARMR and ComplianceEase®, all state mortgage regulators, including depository regulators of institutions with mortgage portfolios, will have the ability to utilize ComplianceAnalyzer® and RegulatorConnect™ web-based software for both on-site examinations and off-site monitoring.

Several multi-state coordinated examinations resulted in settlements that enabled companies to go forward in a manner that allowed them to satisfy many states' regulatory requirements at once. Previously, companies would have had to endure individual examinations and singular negotiations with many states at different times, ultimately resulting in a disparate set of remedies. Currently the "single point of contact" approach utilized by the MMC allows for a company to reach agreement on remedies with 25 or more states at one time, addressing all concerns, and giving the company a solid sense of what is necessary to satisfy compliance concerns in a format it can use to improve its operations (see *Figure 8. Companies & MLOs Operating in Multiple State Agencies*).

The MMC was approached by the State Attorneys General (AGs) in the fall of 2010 to form a partnership in order to effectively examine issues that came to light in the loan servicing industry. The single point of contact approach, strong levels of coordination among the states, and the mortgage regulators' ability to quickly mobilize examination teams across the country to determine the extent of harm to consumers, all fit well with the AGs' desire to complete a timely assessment of the problem. The partnership is significant because it affords both parties the ability to combine resources and skill sets to assess the issues more broadly. An information sharing agreement is currently being developed to allow for the sharing of information between the parties in a broad sense, enabling future efforts to proceed seamlessly.

¹¹ <http://admin.csbs.org/regulatory/policy/policy-guidelines/Pages/MMCPublications.aspx>

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 licensed entities by type includes:

- NMLS processing fees for company, branch and MLO licenses managed in the System.
- Test fees for the national and state test components.
- Education fees related to the (1) credit banking fees to record course hours taken by licensed MLOs, and (2) fees for approval and renewal of course providers and pre-licensure and continuing education courses.
- Criminal background check fees 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.

NMLS fees collected in 2010 by type are provided in Figure 24. 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 reviews, at least annually, 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.

NMLS Processing Fees

NMLS users pay various processing fees as listed below. These processing fees are unchanged since the System launched in January 2008. Processing fees by type are provided in Figure 25.

- Initial Set-up Fee. This \$100/\$20/\$30 fee is charged each time a company (Form MU1), branch (Form MU3), or mortgage loan originator (Form MU4),

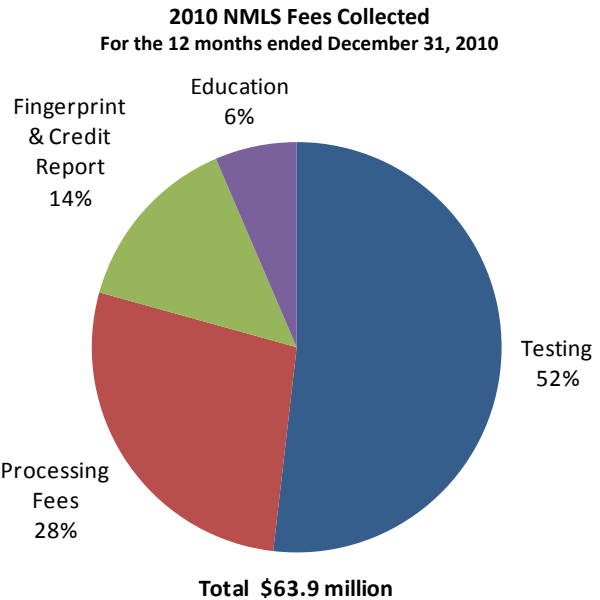


Figure 24. 2010 NMLS Fees Collected (For the 12 months ended December 31, 2010)

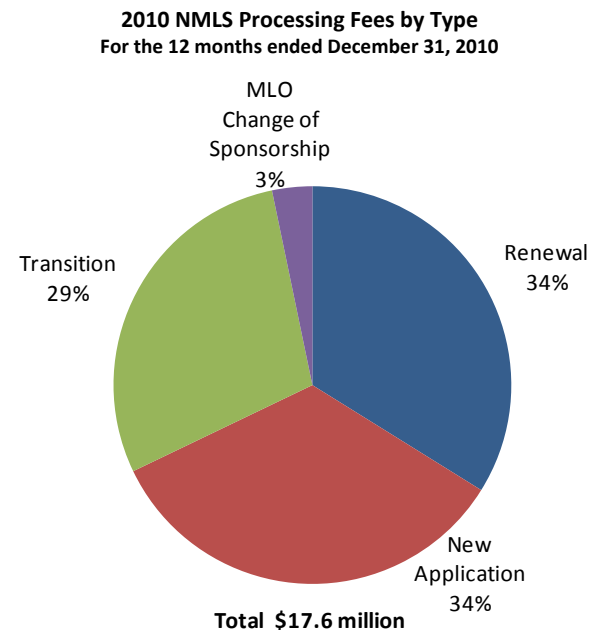


Figure 25. 2010 NMLS Processing Fees by Type (For the 12 months ended December 31, 2010)

respectively, uses NMLS to transition an existing license or to apply for a new license in a participating state. The initial set-up fee is “per state, per license.”

- Annual Processing Fee. This \$100/\$20/\$30 fee is charged annually at the time of renewal when a company, branch, or mortgage loan originator, respectively, renews a license in a participating state. The annual processing fee is a “per state/

per license” fee.

- Mortgage Loan Originator Transfer Fee. This \$30 fee is charged each time the NMLS processes a company’s request to have an MLO’s license affiliated with that company. In essence, this fee is charged each time an MLO changes employment. The mortgage loan originator transfer fee is a “per state/per license” fee.

NMLS Test 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. 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).

NMLS Education Fees

Fees associated with approval and renewal of education courses and course providers are provided in Figure 26. NMLS also charges each NMLS-approved course provider 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 in NMLS. Fees paid by an MLO to take an NMLS-approved course are set by the NMLS-

approved course provider.

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 state regulators who have issued the MLO a license. Fees associated with a criminal background check are as follows:

- Live Scan (electronic): \$39.
- Paper Card Capture (if Live Scan is not selected): \$49.

NMLS Credit Report Fee

NMLS provides an MLO the ability to provide a single repository credit report and score to the state agency(ies) where the MLO is licensed or seeking licensure. The credit report and score are attached to the MLO’s NMLS record, and the single credit report and score may be viewed by state regulators where the MLO is licensed or seeking licensure without the need for multiple credit reports and charges. The functionality provided through the system also enables an MLO to use that same credit report for subsequent licensure requests for up to 30 days and does not negatively impact his/her credit score. The fee associated with a credit report and credit score is \$15.

More information about NMLS fees can be found on the *NMLS Resource Center*.

2010 NMLS Education Fees

Education Services Process/Transaction Type and Who Pays the Fee	2010 Fees
Course Provider Application Fee – Initial Course Provider Pays	\$400 for each initial application, good for 2 years
Course Provider Renewal Application Fee – Course Provider Pays	\$400 for application, good for 2 years
Course Application Fee – Course Provider Pays	\$300 fixed fee plus \$20 per each course hour, good for 1 year. Range, 1-20 hr course (\$320 - \$700 per course)
Course Renewal Application Fee – Course Provider Pays	\$200 fixed fee plus \$20 per each course hour, good for 1 year. Range, 1-20 hr course (\$220 to \$600 per course)

Figure 26. 2010 NMLS Education Fees

SRR Financial Report

Overview

The independent accounting firm of Tate & Tryon conducted the annual audit of the SRR financial statements as of year-end December 31, 2010. The audit report is available on SRR's website. The results of operations for 2010 were positive with \$16.4 million of net income for the year. Management believes that 2010 was a unique year from an operational and financial perspective because of SAFE Act deadlines that resulted in significant one-time revenue and expense. Specifically, NMLS processing fee revenues from state-licensed entities, and criminal background checks, testing and education program income are expected to be less in future years. The 2010 financial results provided funding for operations that allowed SRR to pay off the early-stage borrowings, as well as funding for System enhancements.

The highlights of the audited financial statements are presented in Figure 27. For 2010, SRR had total revenue of \$67.0 million, the majority of which came from the following programs: NMLS processing fees of \$17.6 million; testing administration revenue of \$33.1 million; criminal and credit background check fees of \$9.1 million. In 2010, state regulatory agencies contributed an additional \$3.0 million to the NMLS development fund, bringing the states' total contributions over the past five years to \$16.0 million. Total state contributions for NMLS development over the past several years is \$75.7 million. Total operating expenses were \$49.5 million for the year with the following programs incurring the majority of the cost: testing and education programs, NMLS operations and criminal background checks. In 2010, NMLS collected and disbursed \$76 million on behalf of the states participating in NMLS, up from \$33 million in 2009.

Cash flow from operating activities generated \$23.9 million of cash in 2010. The major uses of cash in 2010 were reinvestment in NMLS of \$8.7 million while another \$8.3 was used to pay off outstanding lines of credit. The net increase in cash for the year was \$6.9 million. This 2010 cash flow is an integral part of financing future technology development. This is critical as cash flow from operations will most likely not be as significant in future years, while the investment in the NMLS development is expected to continue for the foreseeable future. In 2010, NMLS collected and disbursed \$76 million on behalf of the state agencies participating in NMLS, up from \$33 million in 2009.

State Regulatory Registry LLC
2009 & 2010 Financial Highlights (Audited)
Dollars in Thousands

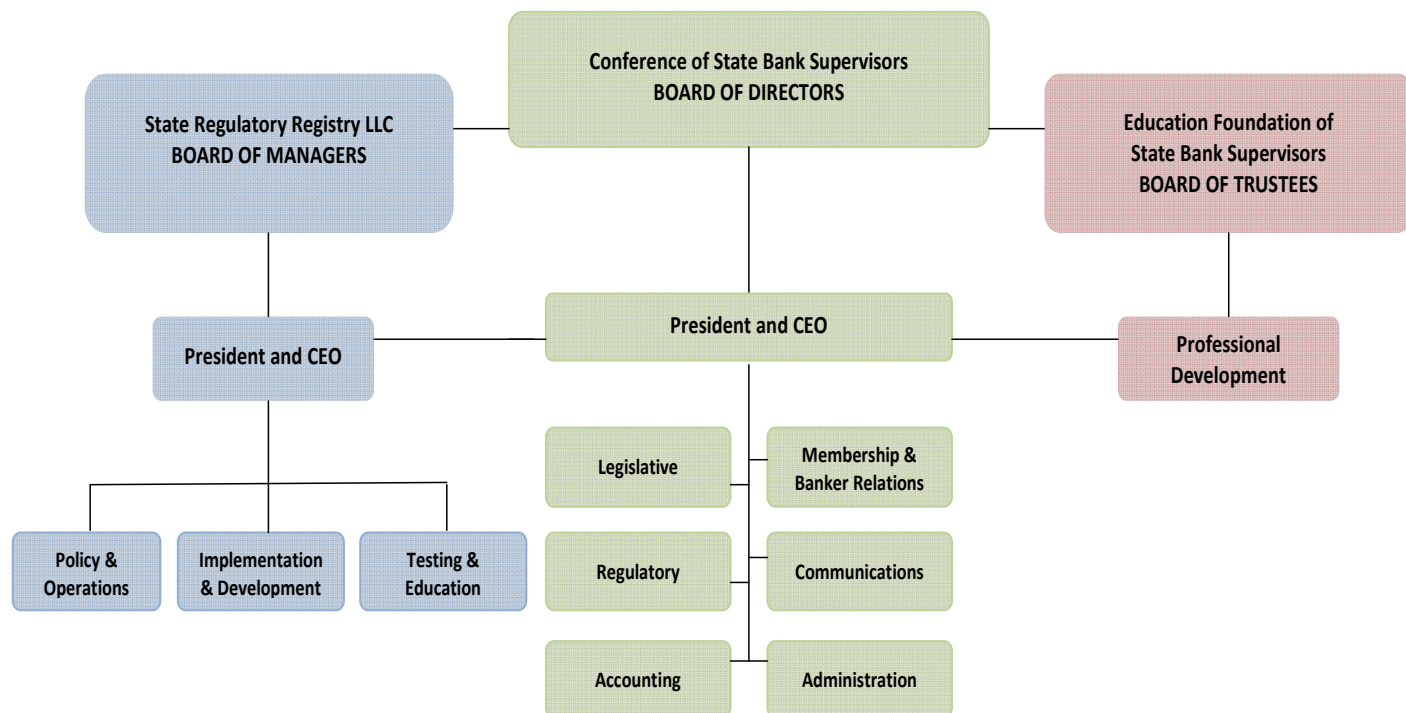
	2009	2010
Cash	1,835,212	8,690,737
Total Assets	15,940,252	29,414,002
Liabilities	13,062,615	10,128,012
Owners Equity	2,877,637	19,285,990
Total Program Revenue	16,325,000	66,975,140
Total Program Expenses	(14,826,244)	(49,527,122)
Other Revenue and Expenses	(830,746)	(1,039,665)
Net Income	668,010	16,408,353

Figure 27. SRR 2009 & 2010 Financial Highlights (Audited)

Figure 1. SRR Organization Chart	2
Figure 2. State Agencies Participating on NMLS	4
Figure 3. Company & Individual Licenses Transitioned onto NMLS (As of December 31, 2008-2010)	4
Figure 4. 2009-2010 Licensing & Professional Standards Activity	4
Figure 5. Unique Company & Individual Entities Managed in NMLS (As of December 31, 2008-2010)	5
Figure 6. Company & Individual Licenses Managed in NMLS (As of December 31, 2008-2010)	5
Figure 7. Annual Renewals Processed in NMLS (As of December 31, 2008-2010)	5
Figure 8. Companies & MLOs Operating in Multiple State Agencies (As of March 31, 2011)	5
Figure 9. MLOs per Company (As of March 31, 2011)	6
Figure 10. MLOs Sponsored per Company (As of March 31, 2011)	6
Figure 11. Company Activities	6
Figure 12. 2010 NMLS Call Center Volume (Calls per month)	7
Figure 13. 2008-2010 NMLS Call Center Statistics (Calls per year)	7
Figure 14. NMLS Call Center Visit by SRR & CSBS Board Members	7
Figure 15. NMLS Resource Center Home Page	8
Figure 16. 2011 NMLS User Conference Panel & Participants	9
Figure 17. NMLS Consumer Access Home Page	11
Figure 18. State SAFE Legislative Activity	14
Figure 19. NMLS/State SAFE Implementation Timeline	15
Figure 20. SAFE Act Mandates for NMLS	16
Figure 21. State Test Components Released by Year	18
Figure 22. 2009-2010 Pass Rates by Individual	19
Figure 23. 2009-2010 Pass Rates by Attempt	19
Figure 24. 2010 NMLS Fees Collected (For the 12 months ended December 31, 2010)	22
Figure 25. 2010 NMLS Processing Fees by Type (For the 12 months ended December 31, 2010)	22
Figure 26. 2010 NMLS Education Fees	23
Figure 27. SRR 2009 & 2010 Financial Highlights (Audited)	24

Appendix A. CSBS Organization Chart

Conference of State Bank Supervisors Organization Chart



Conference of State Bank Supervisors: www.csbs.org

The Conference of State Bank Supervisors (CSBS) is the nationwide organization for state bank regulation, representing the bank regulators of the 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. State authorities supervise approximately 6,000 state-chartered financial institutions. Further, the majority of state banking departments also oversees mortgage providers and other financial service providers. CSBS is also responsible for improving the quality of state bank supervision by providing performance evaluation and accreditation programs for the banking departments, as well as supervisory education and training programs for state personnel.

Education Foundation of State Bank Supervisors: www.csbs.org/development

The Education Foundation of State Bank Supervisors (EFSBS) is the professional development division of CSBS. EFSBS offers a wide range of programs from basic examiner training, continuing education, and executive programs for senior department personnel.

State Regulatory Registry LLC: www.csbs.org/mortgage

State Regulatory Registry LLC (SRR) is a wholly owned subsidiary of CSBS and operates the Nationwide Mortgage Licensing System and Registry (NMLS) on behalf of state mortgage regulators. Voting members of the Board of Managers consist of seven state mortgage regulators. Formed in 2006, SRR is a non-profit corporation based in Washington, D.C.

Appendix B. NMLS Development Schedule

NMLS 2010 Development Schedule & Features

Date:	Primary Features:
01/31/2010 (2010.1 Release)	<ul style="list-style-type: none"> • FBI Criminal Background Check Processing • Fingerprinting • Consumer Access • Bi-annual Change to MU Forms
04/19/2010 (2010.2 Release)	<ul style="list-style-type: none"> • State Test/PE Certification • Testing & Education Reports • Replacement of Fee Processing Software • Federal Registry Base Architecture • Criminal Background Check Reports • Enhancements
08/09/2010 (2010.3 Release)	<ul style="list-style-type: none"> • Enhanced Company (State) Notifications • Two-factor Authentication • Federal Registry Pre-Release Development • High Priority Enhancements
11/01/2010 (2010.4 Release)	<ul style="list-style-type: none"> • Credit Report Functionality for MLOs • Renewal Functionality Enhancements • Remaining Requirements for Federal Registry • 508 Compliance • High Priority Enhancements • System Performance Enhancements
Planned Future Roadmap Enhancements	
	Features:
	<ul style="list-style-type: none"> • Federal Registry • MU2 Credit Reports • Federal Mergers & Acquisitions • Mortgage Call Reports • Final Disciplinary Actions • Disclosure Detail Explanations • Consumer Access – Disciplinary Actions & Disclosure Questions • Consumer Complaints • B2B Consumer Access • Surety Bonds • Industry Download Subscription • Pre-Notifications

Appendix C. Rosters

SRR Board of Managers

As of December 31, 2010

Chairman	
Mr. Gavin Gee Director of Finance Idaho Department of Finance	
Treasurer	Secretary
Mr. Charles Vice Commissioner Kentucky Department of Financial Institutions	Mr. Neil Milner*, CAE President & CEO Conference of State Bank Supervisors
Managers	
Mr. John Allison Commissioner Mississippi Department of Banking and Consumer Finance	Mr. Darin Domingue (AARMR Representative) Deputy Chief Examiner Louisiana Office of Financial Institutions
Mr. Thomas Gronstal* (CSBS Chairman) Superintendent Iowa Division of Banking	Mr. David Cotney Commissioner Massachusetts Division of Banks
Mr. Garrett Komjathy Director, Division of Banking New Jersey Department of Banking and Insurance	Mr. Bill Matthews* President & CEO, SRR Conference of State Bank Supervisors

*Non-voting members

Mortgage Policy Licensing Committee
As of December 31, 2010

Chairman	
<p>Ms. Deborah Bortner Director of Consumer Services Washington Department of Financial Institutions</p>	
Members	
<p>Mr. Alan Cicchetti Deputy Commissioner Connecticut Department of Banking</p>	<p>Mr. David Cotney Commissioner Massachusetts Division of Banks</p>
<p>Ms. Jean Boven Deputy Commissioner Regulatory Compliance Division Michigan Office of Financial and Insurance Regulation</p>	<p>Mr. Jeff Bush Chief Deputy Commissioner Securities Division Indiana Secretary of State</p>
<p>Mr. Rod Carnes Deputy Commissioner Non-Depository Financial Institutions Division Georgia Department of Banking & Finance</p>	<p>Mr. Mike Igney Assistant Commissioner Compliance Division Tennessee Department of Financial Institutions</p>
<p>Mr. Mike Cameron Attorney Nebraska Department of Banking and Finance</p>	<p>Ms. Marlene Aitchison Projects Coordinator Wyoming Division of Banking</p>
<p>Mr. Richard Fergus Division Manager Arizona Department of Financial Institutions</p>	<p>Ms. Louisa Broudy Deputy Commissioner California Department of Corporations</p>
Staff	
<p>Mr. Tim Doyle Vice President, Policy & Operations Phone: (202) 728-5728 tdoyle@csbs.org</p>	<p>Mr. Tim Lange Senior Director, Policy Phone: (202) 728-5734 tlange@csbs.org</p>

Appendix C. Rosters

Mortgage Advisory Council

As of December 31, 2010

Members	
AllyMac Mortgage Services Mr. Neil Sweren Owings Mills, MD	American Financial Services Association Ms. Danielle Fagre Arlowe Washington, DC
AMS Mortgage Ms. Vickie Graves Madison, MS	Associated Mortgage Group, Inc. Mr. Thomas Hendrickson Portland, OR
Citigroup, Inc. Ms. Briget Polichene Indianapolis, IN	Community Mortgage Banking Project c/o Mortgage Banking Initiatives Inc. Mr. Pete Mills Alexandria, VA
Creative Mortgage Group Mr. Michael D'Alonzo Washington, DC	CTX Mortgage Ms. Debra Dunn Montrose, CO
The Dinham Companies Mr. Harry Dinham Dallas, TX	Massachusetts Mortgage Association Ms. Denise Leonard Medford, MA
Mortgage Operations Ally Ms. Sonya McCumber Minneapolis, MN	Mortgage Bankers Association Ms. Meghan Sullivan Washington, DC
New England Mortgage Education Council a dba of MA MBA Mr. Kevin Cuff Boston, MA	SMC Home Finance Mr. Donald Fader Kinston, NC
Staff	
Mr. Tim Doyle Vice President, Policy & Operations Phone: (202) 728-5728 tdoyle@csbs.org	Ms. Mary Pfaff Senior Director, Policy Phone: (202) 728-5748 mpfaff@csbs.org

Mortgage Testing & Education Board
As of December 31, 2010

Chairman	Vice Chairman
<p>Mr. Ambrose Wilson Deputy Commissioner Kentucky Department of Financial Institutions</p>	<p>Mr. Craig Christensen Senior Examiner, Finance Bureau Iowa Division of Banking</p>
Members	
<p>Ms. DiAun Burns Special Administrator California Department of Corporations</p>	<p>Mr. David Axford Chief Administrator, Compliance Division Tennessee Department of Financial Institutions</p>
<p>Mr. Kris Booker Examiner III Mississippi Department of Banking & Consumer Finance</p>	<p>Ms. Lucinda Fazio Financial Legal Examiner Washington Department of Financial Institutions</p>
<p>Ms. Pamela Baker Manager, Consumer Finance Lending Unit Michigan Office of Financial Insurance Regulation</p>	<p>Mr. Tony Florence Chief Examiner Texas Department of Savings & Mortgage Lending</p>
<p>Mr. Timothy Siwy Director, Bureau of Compliance, Investigation and Licensing Pennsylvania Department of Banking</p>	
Staff	
<p>Mr. Pete Marks Vice President, National Mortgage Testing & Education Programs Phone: (202) 728-5723 pmarks@csbs.org</p>	<p>Mr. Richard Madison Senior Director, Mortgage Education Programs Phone: (202) 728-5737 rmadison@csbs.org</p>
<p>Ms. Anne Altman Senior Manager, Mortgage Testing Programs Phone: (202) 728-5750 aaltman@csbs.org</p>	

Appendix C. Rosters

SRR Lawyers Committee

As of December 31, 2010

Members	
<p>Mr. David Bleicken Deputy Secretary for Non-Depository Institutions and Consumer Services Pennsylvania Department of Banking</p>	<p>Mr. Gene Brooks New York State Banking Department</p>
<p>Ms. Marjorie Gross Deputy Superintendent & Counsel New York State Banking Department</p>	<p>Mr. Daniel Kehew California Department of Real Estate</p>
<p>Ms. Jenny Kim Florida Office of Financial Regulation</p>	<p>Mr. Charles Knight General Counsel South Carolina Department of Consumer Affairs</p>
<p>Mr. Robert Lopez Deputy Chief Counsel Pennsylvania Department of Banking</p>	<p>Ms. Rene Martin Deputy Attorney General Idaho Department of Finance</p>
<p>Mr. Roy Martin General Counsel Oklahoma Department of Consumer Credit</p>	<p>Mr. Greg Morton Chief Counsel Florida Office of Financial Regulation</p>
<p>Ms. Kelly O’Sullivan Legal Counsel Montana Division of Banking & Financial Institutions</p>	<p>Ms. Gayle Oshima California Department of Corporations</p>
<p>Mr. Chris Schneider Texas Department of Savings & Mortgage Lending</p>	<p>Mr. John Schroeder Deputy Director and General Counsel Indiana Department of Financial Institutions</p>
<p>Ms. Shauna Shields Asst. Attorney General & General Counsel Iowa Division of Banking</p>	<p>Ms. Karyn Tierney Attorney Arkansas Securities Department</p>
<p>Ms. Stacie Valerio Connecticut Department of Banking</p>	
Staff	
<p>Mr. John “Buz” Gorman General Counsel Phone: (202) 728-5726 bgorman@csbs.org</p>	<p>Ms. Mary Pfaff Senior Director, Policy Phone: (202) 728-5748 mpfaff@csbs.org</p>

**Regulator Development Working Group
As of December 31, 2010**

Members	
<p>Ms. Kirsten Anderson Mortgage Lending Program Manager Oregon Division of Finance & Corporate Securities</p>	<p>Ms. Phyllis Arsenault-Berry Vermont Department of Banking, Securities & Health Care Administration</p>
<p>Ms. Teresa Browning Assistant Director, Non-Depository Entities Division North Carolina Office of the Commissioner of Banks</p>	<p>Ms. Sue Clark Director, Regulatory & Consumer Affairs Vermont Department of Banking, Securities & Health Care Administration</p>
<p>Mr. Charlie Fields Director, Non-Depository Entities Division North Carolina Office of the Commissioner of Banks</p>	<p>Mr. Charles Knight General Counsel South Carolina Department of Consumer Affairs</p>
<p>Mrs. Kae McDonnell IT Business Analyst Washington Department of Financial Institutions</p>	<p>Mr. Steven O’Shields Director Texas Office of Consumer Credit Commissioner</p>
<p>Ms. Rholda Ricketts Deputy Superintendent of Banks New York State Banking</p>	
Staff	
<p>Ms. Barbara Michels Vice President & Chief Technology Officer Phone: (20 728-5713 bmichels@csbs.org</p>	<p>Ms. Margo Frampton Director, Implementation & Development Phone: (202) 728-5725 mframpton@csbs.org</p>

Appendix C. Rosters

Industry Development Working Group

As of December 31, 2010

Members	
<p>Ms. Priscilla Angel Nove Home Loans Tucson, AZ</p>	<p>Ms. Terri Baer CitiFinancial, Inc Baltimore, MD</p>
<p>Ms. Priscilla Conrow Mortgage Resource Center Columbia, MO</p>	<p>Ms. Melissa Crider Brightgreen Home Loans, Inc Charlotte, NC</p>
<p>Ms. Carmen Tojeiro Universal American Mortgage Company, LLC Miami, FL</p>	<p>Ms. Huong Do 1st Alliance Lending, LLC East Hartford, CT</p>
<p>Ms. Jennifer Edwards Primary Residential Mortgage, Inc Salt Lake City, UT</p>	<p>Ms. Christa Festa Quicken Loans Inc Detroit, MI</p>
<p>Ms. Angela Hunter The Compliance Group, Inc San Marcos, CA</p>	<p>Ms. Rose Patenaude HSBC – North America Mettawa, IL</p>
<p>Mr. Hayden Richards, Jr. Patton Boggs, LLP Washington, DC</p>	<p>Ms. Jennifer Silversmith Weiner Brodsky Sidnam Kider PC Washington, DC</p>
Staff	
<p>Mr. Tim Lange Senior Director, Policy Phone: (202) 728-5734 tlange@csbs.org</p>	<p>Ms. Vickie Slater Senior Director, Policy Phone: (202) 728-5743 vslater@csbs.org</p>

© 2011 State Regulatory Registry LLC

1129 20th Street N.W., Ninth Floor

Washington, D.C. 20036

Phone: (202) 296-2840

Fax: (202) 296-1928