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**STATE CORPORATION COMMISSION  
BUREAU OF FINANCIAL INSTITUTIONS**

June 30, 2016

TO: The Honorable Senator Frank W. Wagner  
The Honorable Delegate Terry G. Kilgore

As required by Title 6.2, Chapter 17, Section 6.2-1720 D 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.', is written over a light gray circular stamp. The signature is fluid and cursive.

E. J. Face, Jr.

Cc: Members Senate Commerce and Labor Committee  
Members House of Delegates Commerce and Labor Committee  
Angela Bowser, State Corporation Commission



Report on the Operations  
of  
State Regulatory Registry LLC

Prepared by the Bureau of Financial Institutions  
State Corporation Commission

June 30, 2016

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2015 Annual Report—State Regulatory Registry LLC

## EXECUTIVE SUMMARY

This Report was prepared pursuant to Title 6.2, Chapter 17, § 6.2-1720 D of the Code of Virginia, which directs the State Corporation Commission's ("Commission") to:

1. Annually review the proposed budget, fees, and audited financial statements of 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 SRR, including compliance with its established protocols for securing and safeguarding personal information in SRR.
3. To the extent practicable, prepare, publicly announce and publish a report by no later than July 1 of each year that summarizes statistical test results and demographic information to be prepared by SRR or its test administrator.
4. Report violations of this chapter, any enforcement actions thereunder, and other relevant information to the SRR on a regular basis.

On behalf of the Commission, its Bureau of Financial Institutions ("Bureau") is pleased to submit this report on the 2015 operations of SRR and the Nationwide Mortgage Licensing System ("NMLS").

As of December 31, 2015, SRR reported audited total assets of \$101.3 million and net income of \$13 million. The CPA firm of Tate & Tryon issued a "Clean" or Unqualified Opinion of SRR, and the Bureau does not take issue with the disclosures therein. The financial statements and budgets appear to be accurate and reasonable.

SRR did not experience any material issues related to NMLS security, privacy, or information breach in 2015. Approximately 80,000 MLO test components were administered in 2015. At the end of 2015, NMLS was the system of record for 61 state agencies, managing a total of 585 different license authorities covering a broad range of non-depository financial services. This is up from 538 at the end of 2014.



## INTRODUCTION

In accordance with the Code of Virginia, the Bureau offers the following report of its review of SRR and NMLS.

## BACKGROUND

NMLS was initiated by state mortgage regulators in 2004 in response to the increased volume and variety of residential mortgage loan originators ("MLO"). SRR was formed in 2006 and is a non-profit corporation based in Washington, D.C. SRR is a wholly owned subsidiary of the Conference of State Bank Supervisors ("CSBS")<sup>1</sup>, and it owns and operates NMLS. SRR is directed by a Board of Managers consisting of seven state regulators.

NMLS is a Web-based application which enables mortgage lenders, mortgage brokers, MLOs, and other various non-depository lenders to apply for, amend, update and renew state licenses online with participating state regulatory agencies, and it allows federally regulated depository institutions and subsidiaries to manage their registered MLOs through one system. NMLS also offers consumers an on-line public access/inquiry via NMLS Consumer Access, which discloses licensing information and regulatory enforcement history.

The combination of the state licenses managed in NMLS and the NMLS Federal Registry makes the system a complete repository of companies, both depository and non-depository, and individuals authorized to originate mortgages in the United States.

The most common transactions performed through NMLS are new license applications, amendments, and license renewals. An amendment occurs each time a licensee or registrant's record is updated, whereas renewals are submitted annually.<sup>2</sup>

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<sup>1</sup> CSBS is the nationwide non-profit organization for state bank regulators, representing the 50 states, the District of Columbia, and U.S. territories which supervise state-chartered financial institutions. The majority of state banking departments also oversee mortgage providers and other financial service providers.

<sup>2</sup> SRR 2015 Annual Report at 9.

NMLS launched with seven states on January 2, 2008, and the Bureau went live on NMLS on August 3, 2009. Title V of the *Housing and Economic Recovery Act of 2008*, entitled the "Secure and Fair Enforcement for Mortgage Licensing Act of 2008" ("SAFE Act"), mandates that all MLOs either be federally registered or state-licensed through NMLS.<sup>3</sup> As of June 15, 2015, there were 11,445 MLOs approved and licensed in Virginia through NMLS, as well as 986 mortgage lenders and brokers approved and licensed in Virginia.<sup>4</sup>

Under the provisions of the SAFE Act, the U.S. Department of Housing and Urban Development ("HUD") was given original oversight authority to determine whether or not each state's MLO licensing standards meet federally mandated minimums. Effective July 21, 2011, the Dodd-Frank Act transferred HUD's SAFE Act oversight authority to the Consumer Financial Protection Bureau ("CFPB").<sup>5</sup> If CFPB determines that a state's MLO licensing standards are not in compliance with federally mandated minimums, then CFPB must implement a system to license MLOs in that state in accordance with the SAFE Act. Additionally, CFPB took over responsibility for the NMLS development contract between SRR and the federal agencies for use of the NMLS to register depository MLOs.

#### NOTABLE ACTIVITY IN 2015

At the end of 2015, NMLS contained active state licenses or federal registrations for 57,908 institutions and 816,071 individually licensed or registered MLOs.<sup>6</sup> By year-end 2015,

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<sup>3</sup> Title V of the Housing and Economic Recovery Act of 2008 (the "SAFE Act") became effective July 30, 2009, and mandates that state-licensed MLOs meet certain minimum requirements for licensure or lose state oversight of MLOs to the federal government.

<sup>4</sup> NMLS Statistical Report June 15, 2015.

<sup>5</sup> The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 established the CFPB. The CFPB's charge is to protect consumers in the market for consumer financial products and services.

<sup>6</sup> Federally regulated depository institutions and subsidiaries are required by federal rule to register both the institution and its MLOs in NMLS. These institutions and individuals, however, are not required to separately register in each state (as are state-licensed companies and MLOs).

there were 20,440 state-licensed companies holding 47,688 active state licenses and 135,016 individual MLOs holding 408,542 active state licenses.

Among the NMLS highlights in 2015, the National Test with Uniform State Content was adopted by an additional four state agencies, bringing the total number of adopting state agencies to 50. MLOs seeking licensure in those jurisdictions are no longer required to take a second state-specific test.

The NMLS Resource Center provides NMLS users with resources and materials to assist in the navigation of NMLS. State regulators also post their license descriptions and requirements checklists on the site to allow applicants to research and understand all prerequisites for licensure before applying through NMLS. In 2015, the state and federal resource centers had over 2.4 million unique visitors who viewed over 12.5 million pages.

The NMLS call center was established in January 2008 to provide regulatory and industry users with a live support system to answer questions, as well as provide real-time help in navigating NMLS. The call center received a total of 473,666 calls in 2015, down 12% from 2014, and responded to an average of 1,841 calls per day.

NMLS Consumer Access was launched in 2010 and is a free, fully searchable website that allows consumers to view information about companies, branches, and individuals that are state licensed or federally registered in NMLS. The website includes identifying information for each individual or entity, detailed information on all licenses or registrations held, as well as any applicable regulatory actions taken. By year-end 2015, 2.8 million visitors had viewed almost 86 million pages on the NMLS Consumer Access website.

Other notable events in 2015 are:

- NMLS implemented the first learning management system ("LMS"), which is used to store, deliver, and track the history of training sessions for individual users. LMS has



approximately 5,700 users and manages 280 live, recorded, and eLearning courses. LMS also has on-demand learning opportunities such as new user training for all NMLS audiences and other specialized content recordings.

- Approximately 80,000 MLO test components were administered in 2015. In addition, SRR supervised 112 approved course providers who delivered over 2 million hours of education in over 1,600 NMLS-approved courses.
- The 7<sup>th</sup> Annual NMLS Conference and Training was held in San Diego and had over 540 attendees, including regulators from 54 state agencies. The agenda included sessions relevant to NMLS users as well as special sessions relevant to mortgage, money services business, debt and consumer finance industries.
- NMLS instituted numerous usability and security enhancements to the system through scheduled releases throughout the year. Additionally, planning processes were initiated to begin the modernization of NMLS (NMLS 2.0) as well as to provide an Examination Management Tool Suite.
- SRR entered into a memorandum of understanding with the Financial Crimes Enforcement Network ("FinCEN") on June 1, 2015, governing the sharing of information in NMLS with FinCEN. FinCEN agreed to protect against the unauthorized access, use, or distribution of information accessed by FinCEN and to notify SRR immediately if any such unauthorized activity occurs.

Additional NMLS highlights in 2015 included the improvements in usability, document uploads, the industry dashboard, the regulator work list, form updates, mortgage call reports, information sharing, security, and data analytics.

#### AUDITED FINANCIAL STATEMENTS AND BUDGET

As of December 31, 2015, SRR reported audited total assets of \$101.3 million (compared to \$87.6 million at the end of 2014), owner's equity of \$95.1 million (compared to \$82.1 million at the end of 2014), and net income of \$13 million (compared to \$15.3 million for 2014). The CPA firm of Tate & Tryon, Washington, D.C., prepared the Audited Consolidated Financial Statements for Conference of State Bank Supervisors, Inc. and Affiliates, including SRR. Tate and Tryon also prepared the Audited Financial Statements for State Regulatory Registry LLC. The financial statements and budgets appear to be accurate and reasonable, including the amounts, estimates and assumptions used and the Bureau does not take issue with the disclosures

set forth in the financial statements. In the notes to the Audited Consolidated Financial Statements for the Conference of State Bank Supervisors, Inc. and Affiliates, it is noted that SRR has contracted with the Financial Industry Regulatory Authority, Inc. ("FINRA"), to develop and host NMLS. FINRA also provided development support for NMLS education and testing components. Given the size of the FINRA services contract, a disruption in the capabilities provided by FINRA could have a detrimental impact on the CSBS.

**NMLS FEES**

In order to fulfill SAFE Act obligations, NMLS charges various fees for the services provided. NMLS fees are typically paid for by the licensed entity or, in some cases, by the state. The SRR Board of Managers annually reviews NMLS fees to determine the appropriateness of each fee. SRR solicits public comment on any fees that SRR Board of Managers has under consideration for change.

The basic fees for state licensure are for (1) initial license set-up; (2) annual renewal of licenses; (3) a company’s request to have an MLO’s license affiliated with a company; (4) an MLO’s request to change employment to another company; and (5) a federal MLO registration status change from inactive to active. These fees are unchanged since NMLS launched in 2008.

<b>Entity</b>	<b>Initial Set-up Fee</b>	<b>Annual Processing Fee</b>	<b>MLO Change of Sponsorship</b>
<b>Company</b>	\$100	\$100	\$30
<b>Branch</b>	20	20	n/a
<b>Individual MLO</b>	30	30	n/a

NMLS test fees are charged to an individual who enrolls to take the SAFE MLO National Test with Uniform State Content and State Test Components or by the company that may be enrolling its MLOs for the test components. The test fees, by component<sup>7</sup> are as follows:

- National component with Uniform State Content - \$110 (contains 125 questions with an appointment time of 225 minutes).
- Each Uniform State Component - \$69 (contains 55-65 questions with an appointment time of two hours).

The NMLS also charges a criminal background check fee, fingerprint fee, and credit report fee. NMLS provides functionality within the system to process fingerprints for the purpose of obtaining a federal criminal background check through the Federal Bureau of Investigation ("FBI"). The criminal history record information check response from the FBI will be attached to the MLO's NMLS record and is viewable by the state regulator issuing the MLO license or by the employing institution for registered MLOs. Fees associated with a criminal background check are as follows: Live Scan (electronic), \$36.25; and Paper Card Capture (if Live Scan is not selected), \$46.25. During 2015, over 110,500 authorizations for credit reports and over 236,000 requests for criminal background checks were submitted to NMLS.

NMLS provides state-licensed MLOs, qualifying individuals, branch managers, or control persons<sup>7</sup> the ability to provide a single credit report and score to the state(s) where the individual is filing a license application. The functionality provided in the system enables an individual to use that same credit report for subsequent licensure requests for up to 30 days and does not negatively impact his or her credit score. The fee associated with a credit report and credit score is \$15.

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<sup>7</sup> A "control person" is an individual (natural person) named that directly or indirectly exercises control over the applicant. (NMLS, Individual Disclosure Questions Definitions.)

## SECURING AND SAFEGUARDING INFORMATION

According to the SRR 2015 Annual Report, the NMLS Federal Registry portion of NMLS, (a) complies with the Federal Information Security Management Act of 2002, National Institute of Standards and Technology ("NIST") best practices, Office of Management and Budget Circular A-130 and all applicable laws, directives, policies and directed actions per SRR's contract with CFBP on a continuing basis. The NMLS meets the baseline security controls contained within NIST Special Publication 800-53, is in compliance with continuous monitoring requirements per NIST 800-137, and has a valid and current authorization to operate approved by the CFPB.

## TESTING AND EDUCATION

The SAFE Act established a number of testing and education requirements to ensure that all state-licensed MLOs demonstrate a basic level of industry and regulatory knowledge. Under the SAFE Act, NMLS must develop and administer a qualified written test that all state-licensed MLOs must take and pass with a minimum passing score of 75%. SRR monitors the performance of the SAFE MLO tests and posts quarterly test administration and performance information on the NMLS Resource Center.

In addition, NMLS must approve all courses that state-licensed MLOs must take to satisfy pre-licensure education and continuing education requirements. Almost 80,000 test components were administered in 2015 at more than 270 test centers throughout the United States. The following chart provides National Test with Uniform State Content data from its April 1, 2013 implementation until March 31, 2016.

National Test with Uniform State Content Pass Rates by Attempt April 1, 2013 through March 31, 2016			
	Tests Taken	Tests Passed	Pass Rate %
First Time	79,762	52,269	65.5
Subsequent Attempts	23,041	10,769	46.7
Overall	102,803	63,038	61.31

In 2015, over 148,000 state-licensed MLOs and MLO applicants completed more than 2 million hours of education [more than 936,000 hours of Pre-Licensure Education and 1,155,000 hours of Continuing Education ("CE")]. Surprisingly, only 63% of MLOs completed their annual CE online, a decrease of 4.7%. At the end of 2015, there were 112 active NMLS-approved course providers, three fewer than at the end of 2014.

#### LOOKING AHEAD

The guiding principles and policy decisions that drive the existence and continuing evolution of SRR's operations are originated and developed through the involvement and leadership of state financial regulators. Agency personnel spend time leading and participating on boards, committees, and ad hoc working groups, contributing their expertise to make NMLS an effective regulatory tool. SRR also benefits from industry input and participation in various user groups.

In 2015, NMLS continued to deploy improved software development processes to increase responsiveness and deliver faster data for NMLS users. Planning processes were initiated to begin modernization of NMLS and provide an Examination Management Tool Suite. NMLS is working on the following major enhancements for future implementation: electronic surety bond tracking, expansion of NMLS data analytics and services, federal agency regulatory

actions, individual document upload, next generation identification program and pre-licensing expiration improvement.

In addition, 2016 includes significant items, including new and enhanced system functionality and the expanded use of NMLS by additional state agencies with oversight of financial services industries. SRR's long-range plan indicates that an appropriate financial reserve is essential in funding the ongoing development, operation and maintenance of NMLS as mandated by the SAFE Act, as well as to position SRR to ensure continued operations in the event of variations in revenue given the cyclical nature of entities in the financial services industries that are registered and licensed through NMLS.

#### SUMMARY

NMLS launched on January 2, 2008, and the Bureau began utilizing NMLS on August 3, 2009. As of December 31, 2015, SRR reported audited total assets of \$101.3 million and net income of \$13 million. The CPA firm of Tate & Tryon issued a "Clean" or Unqualified Opinion of SRR, and the Bureau does not take issue with the disclosures therein. The financial statements and budgets appear to be accurate and reasonable.

SRR did not experience any material issues related to NMLS security, privacy, or information breach in 2015. Approximately 80,000 MLO test components were administered in 2015. At the end of 2015, NMLS was the system of record for 61 state agencies, managing a total of 585 different license authorities covering a broad range of non-depository financial services. This is up from 538 at the end of 2014.



# 2015 ANNUAL REPORT



STATE REGULATORY REGISTRY LLC





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## ➤ Letter from the SRR Board of Managers

We are pleased to present the eighth annual report of State Regulatory Registry LLC (SRR) and the Nationwide Multistate Licensing System and Registry (NMLS® or the System). We are proud of the accomplishments SRR and NMLS have achieved in 2015.

NMLS initially began in January 2008 as a voluntary state licensing system, but later that year was codified into federal law under the SAFE Act. The SAFE Act expanded NMLS to include registration, licensure and professional standards for all mortgage loan originators (MLOs). In 2012, NMLS expanded to include state licensing of additional non-depository financial services industries. In 2015, NMLS continued to expand and now has over 580 license types covering a broad range of non-depository financial services industries.

SRR is a subsidiary of the Conference of State Bank Supervisors (CSBS). Through NMLS, SRR supports the strategic goals of CSBS' members by assisting state agencies in consumer protections and supervision of the non-depository financial services industries via technology resources and information on a nationwide basis. Over the years, SRR has developed and refined tools within NMLS for state agency use to better understand and utilize state and other information, including licensing processes, call reports, call center capabilities and money transmitter authorized agent reporting. NMLS data is also published in various reports on the NMLS Resource Center and available on NMLS Consumer Access<sup>SM</sup>.

Since the launch of NMLS in 2008, SRR has continually worked to enhance functionality and create an easier, more intuitive system. In 2015, SRR focused on continuing to enhance and expand the use of the System and its data. This included adding new or improving existing functionality to provide valuable information to consumers, industry, and regulatory users. NMLS development efforts during the year were a mixture of specific deliverables for industry and regulator users, as well as long-term work on enhancements that will be implemented in 2016 and 2017. Some of the long-term projects include NMLS modernization, electronic surety

bond tracking, improvements to NMLS Consumer Access, and an examination management tool suite.

The adoption and use of the Uniform State Test continues as four additional states adopted the test in 2015; bringing the total number of agencies that have adopted the test to 50.

SRR Board members were pleased with the opportunity to meet with industry and agency users at the NMLS Annual Conference and Training in San Diego and at annual meetings of AARMR, MTRA, NACARA, and NACCA<sup>1</sup>. The NMLS Ombudsman held two public meetings with industry at the NMLS and AARMR conferences, and spoke on panels at MTRA, NACARA and NACCA conferences.



**FIGURE 1. 2015 SRR BOARD OF MANAGERS**

We are especially proud of the enactment of two SAFE Act amendments passed by Congress that expanded specific authorities to include other financial services industries in addition to the mortgage industry. In December of 2015, federal legislation was enacted that granted CSBS the ability to process criminal background checks on non-MLO financial services professionals through NMLS and the expansion of the confidentiality and privilege protections to information contained in NMLS. These two changes will be instrumental in achieving our overall goal of providing state agencies that oversee the financial services industries with resources and tools that aid them to more efficiently and effectively fulfill their missions.

<sup>1</sup>American Association of Residential Mortgage Regulators, Money Transmitters Regulatory Association, North American Collection Agency Regulatory Association, National Association of Consumer Credit Administrators

In 2016, we are looking forward to working with existing and new NMLS users to improve communication, information sharing, and collaboration in order to enhance supervision, share best practices, and protect consumers.

We greatly appreciate the time, energy, and other resources provided by regulators and industry that made new NMLS functionality and enhancements possible, as well as the overall operation of the System. We would like to thank the numerous working groups and committees that made this possible, including the NMLS Ombudsman, NMLS Policy Committee, Mortgage Testing and Education Board, SRR Lawyers Committee, and the Industry Advisory Council.

We look forward to making 2016 even better!

Sincerely,

The Board of Managers  
State Regulatory Registry LLC

## **SRR BOARD OF MANAGERS**

### **Chairman**

Mr. Robert Entringer  
Commissioner  
North Dakota Department of Financial Institutions

### **Vice Chairman**

Mr. Gordon Cooley  
Commissioner  
Maryland Office of Financial Regulation

### **Treasurer**

Mr. Albert Forkner  
Commissioner  
Wyoming Division of Banking

### **Members**

Mr. Rod Carnes  
Deputy Commissioner for Non-Depository Institutions  
Georgia Department of Banking & Finance  
(AARMR Representative)

Mr. John Ducrest  
Commissioner  
Louisiana Office of Financial Institutions

Mr. Bryan Schneider  
Secretary  
Illinois Department of Financial & Professional Regulation

Mr. David Tatman  
Chief of Enforcement  
Oregon Division of Finance Regulation

Mr. David J. Cotney\*  
CSBS Chairman & Commissioner  
Massachusetts Division of Banks

Mr. John Ryan, Secretary\*  
President and CEO  
Conference of State Bank Supervisors

Mr. Bill Matthews\*  
President and CEO  
State Regulatory Registry LLC

\* Non-voting ex-officio members of the Board.

(Figure 1. 2015 SRR Board of Managers)

## ➤ 2015 HIGHLIGHTS

### ➤ Uniform State Test.

The National Test with Uniform State Content was adopted by an additional four state agencies during 2015, bringing the total number of adopting agencies to 50. MLOs seeking licensure in those jurisdictions are no longer required to take a second, state-specific test.

### ➤ Expansion Industries.

As of year-end 2015, 39 state agencies were managing 179 license types in the money services business, debt, and consumer finance industries. Also by year-end, 26 states were using the Uniform Authorized Agent Reporting functionality to manage and report all money transmitter agents.

### ➤ Regulator and Industry Training.

NMLS configured and implemented the first Learning Management System (LMS), which is used to store, deliver, and track the history of training sessions for individual users. The LMS has approximately 5,700 users; manages 280 live, recorded, and eLearning courses; and includes on-demand learning opportunities such as new user training for all NMLS audiences and other specialized content recordings.

### ➤ Testing and Education.

Approximately 80,000 MLO test components were administered in 2015. SRR also supervised 112 approved course providers who delivered over 2 million hours of education through over 1,600 NMLS-approved courses.

### ➤ NMLS Annual Conference and Training.

The seventh NMLS Conference and Training was held in San Diego, California and had more than 540 people in attendance, including regulators from 54 state agencies. The agenda included sessions relevant to all users on NMLS, as well as special sessions relevant to mortgage, money services businesses, debt, and consumer finance industries.

### ➤ System Enhancements.

NMLS instituted numerous usability and security enhancements to the System through scheduled releases throughout the year. Additionally, planning process were initiated to begin the Modernization of NMLS (NMLS 2.0), as well as to provide an Examination Management Tool Suite.

### ➤ Information Sharing.

SRR entered into a memorandum of understanding with the Financial Crimes Enforcement Network (FinCEN) on June 1, 2015, governing the sharing of information in NMLS with FinCEN. FinCEN agreed to protect against the unauthorized access, use, or distribution of information accessed by FinCEN and to notify SRR immediately if any such unauthorized activity occurs.

## ➔ OVERVIEW OF NMLS

At the end of 2015, NMLS was the system of record for 61 state agencies, managing a total of 585 different license authorities covering a broad range of non-depository financial services. This is up from 538 at the end of 2014. NMLS manages 310 company, 192 branch, and 83 individual license types.

As the system of record for state financial services regulatory agencies, NMLS is able to track the number of unique companies and individuals operating in the state system, as well as the number of licenses these companies and individuals hold in each state. For example, a company licensed in three states would count as one unique entity holding three licenses (Figures 2 and 3).

State licensed	2013		2014		2015	
	Entities	Licenses	Entities	Licenses	Entities	Licenses
Companies	18,993	39,903	19,882	44,020	20,440	47,688
Branches	23,467	43,066	25,583	49,904	26,655	56,402
MLOs	130,311	331,351	131,725	359,992	135,016	408,542

**FIGURE 2. COUNT OF STATE ENTITIES IN NMLS**

Federally Registered	2013	2014	2015
Institutions	10,848	10,566	10,220
MLOs	404,239	398,492	407,529

**FIGURE 3. COUNT OF FEDERAL ENTITIES IN NMLS**

During 2015, eight state agencies added an additional 33 license types to the System (Arkansas Securities Department; Connecticut Department of Banking; Illinois Department of Financial and Professional Regulation; Oregon Division of Financial Regulation; South Dakota Division of Banking; Tennessee Department of Financial Institutions; Utah Department of Financial Institutions; and Wisconsin Department of Financial Institutions).

In addition to being a system of state licensing of financial services businesses, NMLS operates a registry (known as NMLS Federal Registry or Registry) of federally regulated depository institutions and subsidiaries and mortgage loan originators who are required by federal rule to register in NMLS prior to originating mortgages. These institutions and individuals are not required to separately register in

each state where they may do business, thus there is no direct comparison with the state-licensed entities' and individuals' total number of licenses. Over the course of 2015, the number of institutions and MLOs registered in NMLS essentially remained flat.

The combination of the state licenses managed on NMLS and the NMLS Federal Registry makes the System a complete repository of companies, both depository and non-depository, and individuals authorized in the United States to originate mortgages<sup>2</sup>. Since state agencies began expanding their use of NMLS to additional financial services industries, the System has been moving towards the ability to provide a national perspective on these other industries. The following sections highlight all the financial industry-specific information available in NMLS.

### STATE MORTGAGE LICENSING

In 2015, all states, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands participated in NMLS to license mortgage companies, branches, and MLOs. This full representation of the state-regulated mortgage industry in a single system makes it possible for state regulators and industry to have the information needed to identify business and licensing activities and trends. As noted in the NMLS Resources section, SRR publishes quarterly reports that compile data on state-licensed companies, branches, and MLOs.

Figure 4 compares the growth in entities to the number of licenses issued throughout the year. While the total number of companies with mortgage licenses decreased by 0.1 percent during 2015, the number of state mortgage licenses held by all companies went up four percent. With regard to MLOs in the System, the number of individuals was relatively unchanged (2.5 percent increase), while the number of licenses held by MLOs grew 13.5 percent. The average number of licenses held per MLO is now 3.02, compared to 2.73 percent at the end of 2014 (Figure 5).

The fastest growing segment in NMLS is the population of companies and individuals licensed in over 20 states (Figures 6 and 7). In 2015, the number of companies operating in more than 20 states grew 7.4 percent, and

<sup>2</sup>One state agency currently does not manage mortgage company licenses in NMLS: Texas Office of Consumer Credit Commissioner.

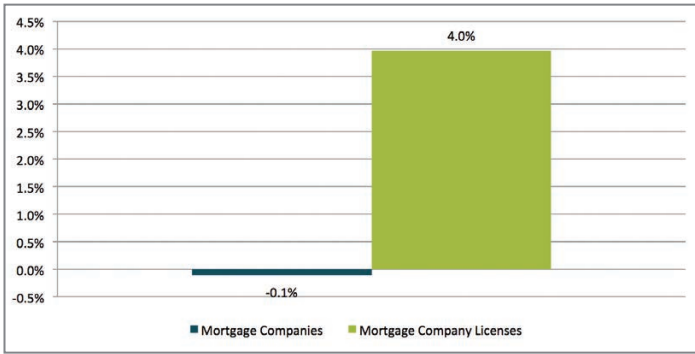


FIGURE 4. ANNUAL GROWTH – COMPANIES VS. LICENSES

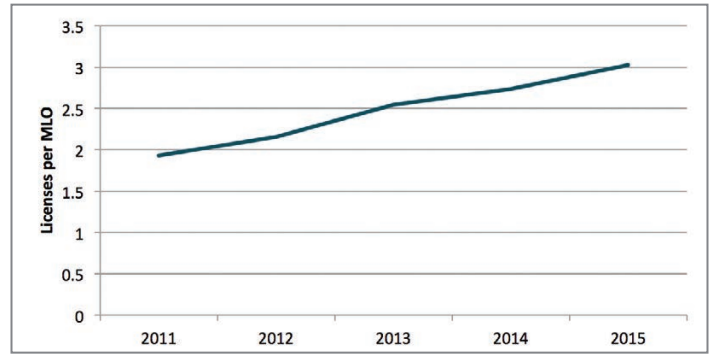


FIGURE 5. ANNUAL GROWTH – AVERAGE NUMBER OF LICENSES PER MLO

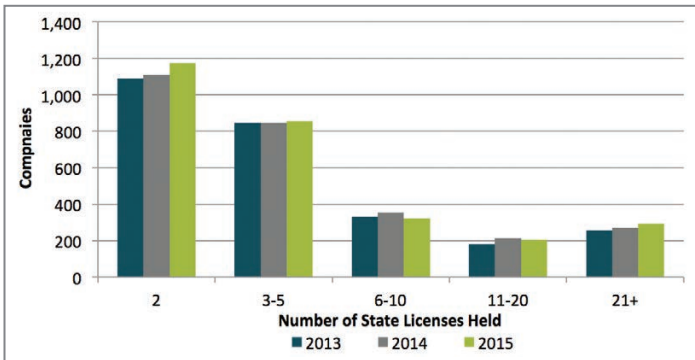


FIGURE 6. ANNUAL GROWTH – COMPANIES BY LICENSES HELD

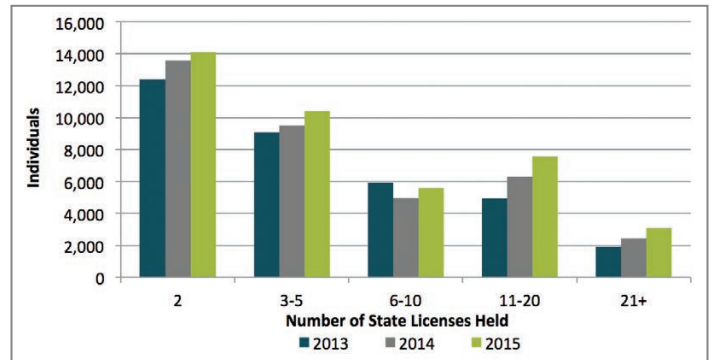


FIGURE 7. ANNUAL GROWTH – INDIVIDUALS BY LICENSES HELD

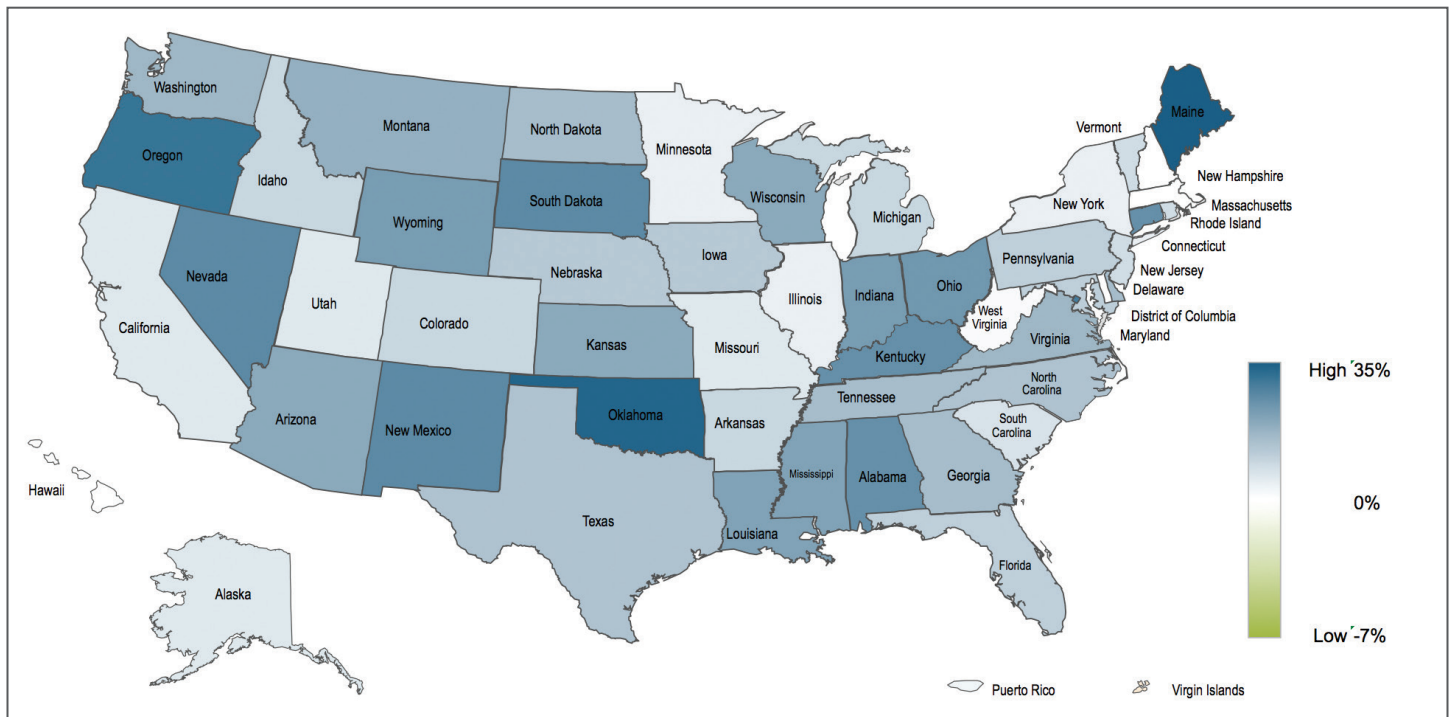


FIGURE 8. ANNUAL GROWTH – MLO LICENSES PER STATE

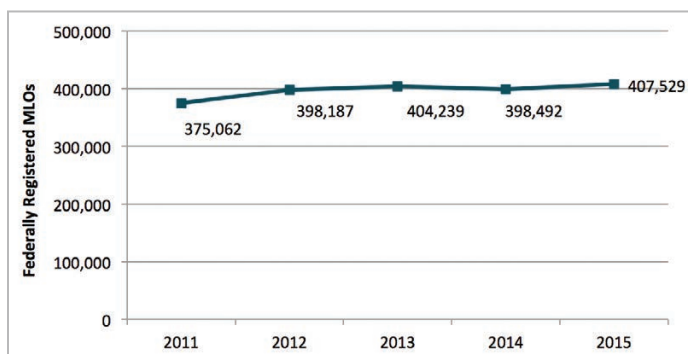
MLOs licensed in more than 20 states grew 26.8 percent. MLOs holding only one state license declined 0.7 percent.

The number of MLO licenses increased in every state except Massachusetts, which saw a decrease of 0.5 percent. Figure 8 depicts the percentage of net growth in MLO licenses around the country. Maine, Oklahoma, and Oregon each saw MLO licenses increase by more than 30 percent.

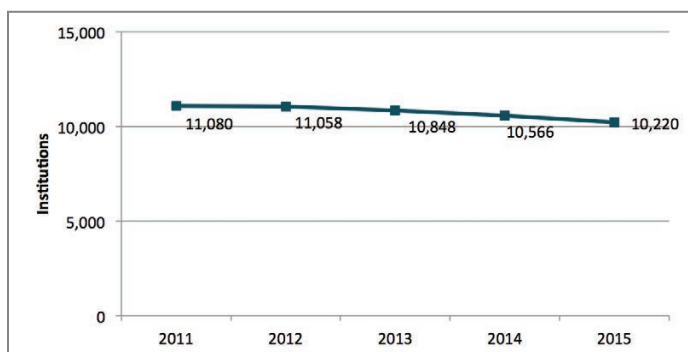
## FEDERAL MORTGAGE REGISTRATION

Over the course of 2015, the number of actively registered MLOs increased 2.3 percent to 407,529 individuals employed by 10,220 institutions. Although the number of actively registered MLOs slightly increased, Figures 9 and 10 illustrate that the number of registered MLOs and institutions remains relatively constant.

NMLS also publishes quarterly reports that detail the number of federal registrants, MLO locations, and a breakdown of NMLS-registered institutions by specific federal regulator (see NMLS Resources section).



**FIGURE 9. ACTIVELY REGISTERED FEDERAL MLOs BY YEAR**



**FIGURE 10. ACTIVELY REGISTERED INSTITUTIONS BY YEAR**

## MONEY SERVICES BUSINESSES (MSB)

Financial services categorized as MSB activities in NMLS include: money transmission, check cashing, issuing or selling travelers checks, issuing or selling drafts, foreign currency dealing and exchange, issuing or selling money orders, bill paying, transporting currency, and issuing or selling prepaid access/stored value products.

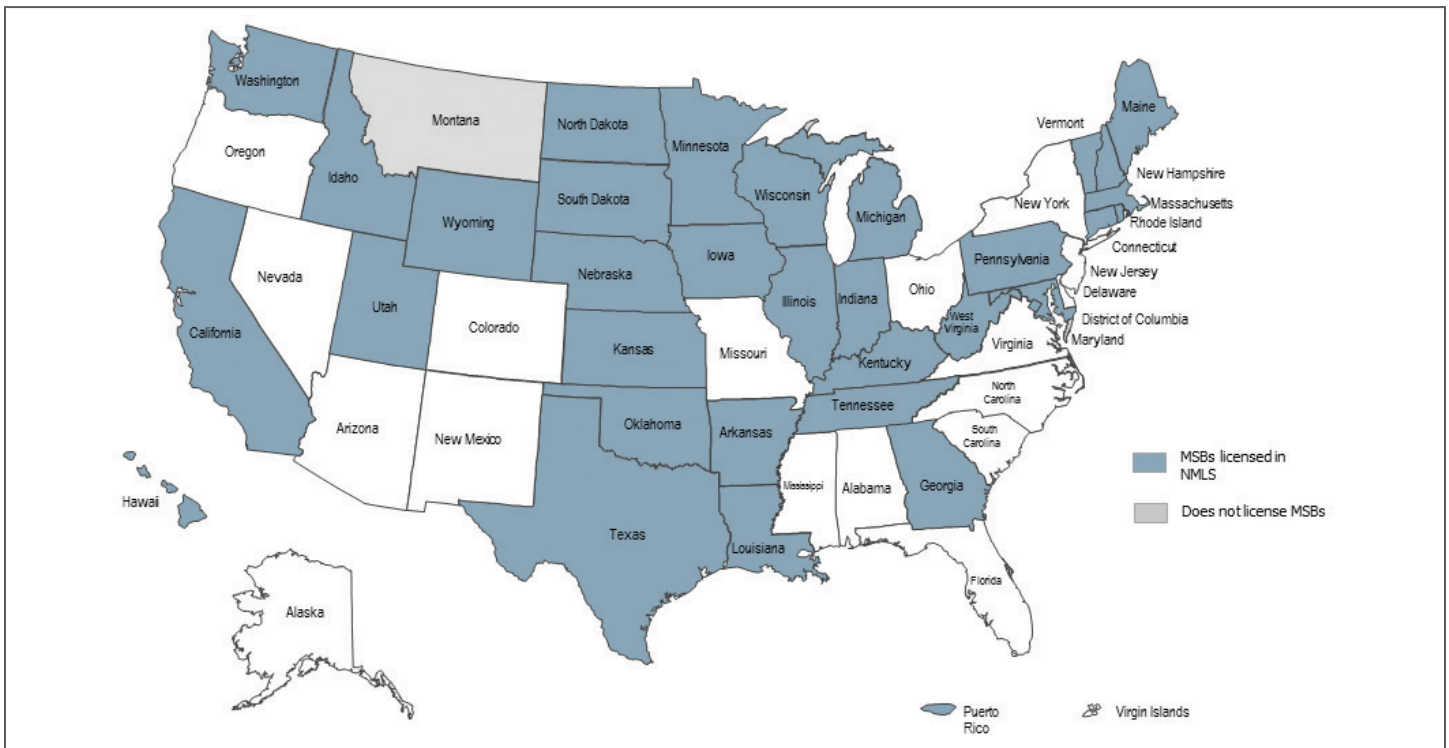
As of year-end 2015, 33 state agencies were managing MSB licenses in NMLS (Figure 11). In NMLS, approximately 1,900 companies hold more than 4,000 approved MSB licenses. Figure 12 provides a detailed breakdown of money transmitters in NMLS and their agents reported through the NMLS Uniform Authorized Agent Reporting (UAAR) functionality. During the year, the NMLS UAAR was further adopted by six state agencies to permit money transmitter MSBs to complete authorized agent reporting directly in the System.

### MONEY TRANSMITTERS AND UNIFORM AUTHORIZED AGENT REPORTING

While Money Services Businesses include several activities as identified above, of particular interest to state regulators using NMLS are money transmitters. By the end of 2015, 32 state agencies managed their money transmitter licenses on NMLS. The NMLS Uniform Authorized Agent Reporting (UAAR) functionality, deployed in 2014, permits state-licensed money transmitters to upload lists of their authorized agents for reporting to state regulators. At year-end 2015, 26 state agencies were using the UAAR functionality.

- 684 companies hold a total of 2,316 state money transmitter licenses in NMLS
- 63% of the companies are licensed in more than one state
- 77 companies are licensed in more than 10 states
- 161 companies are currently reporting 174,259 Active Authorized Agent relationships in NMLS, and 81 are reporting no agents used\*
- NMLS contains 117,231 Active Agent Locations, with 31,825 used by multiple principals\*
- Nine companies have uploaded over 5,000 agents\*

\*As of 09/30/2015



**FIGURE 11. STATES MANAGING MSB LICENSE TYPES IN NMLS**

State Agency	License Description	Approved Licenses
AR	Money Transmitter License	54
CT	Check Cashing License	61
CT	Money Transmission License	94
DC	Check Cashier License	62
DC	Money Transmitter License	82
GA	Seller of Payment Instruments License	44
GA	Money Transmitter License	98
GA	Check Cashier License	966
HI	Money Transmitter License	55
IA	Money Services License	75
ID	Money Transmitters	86
IN-DFI	Money Transmitter License	56
KS	Money Transmitter License	80
KY	Money Transmitter License	83
LA	Sale of Checks and Money Transmitters	81
MA	Check Seller	17
MA	Check Cashier	61
MA	Foreign Transmittal Agency	61
MD	Money Transmitter License	107
ME	Money Transmitter License	45
MI	Money Transmitter License	88
MN	Money Transmitter License	98
ND	Money Transmitter License	80
NE	Money Transmitter License	76

State Agency	License Description	Approved Licenses
NH	Money Transmitter License	61
OK-DOB	Money Transmission License	70
PA	Money Transmitter	87
PA	Retail Grocery Store Check Cashier License	123
PA	Check Cashier License	275
PR	Money Transmitter License	33
RI	Sales of Checks	22
RI	Check Cashier License	23
RI	Electronic Money Transfers	67
SD	Money Transmitter License	44
SD	Money Lender License	47
TN	Money Transmitter License	97
TX-DOB	Money Transmitter License	49
UT-DFI	Money Transmitter License	73
VT	Check Cashing and Currency Exchange	4
VT	Money Transmitter	62
WA	Currency Exchange (only)	9
WA	Check Cashier with Small Loan Endorsement	18
WA	Check Cashier	71
WA	Money Transmitter (includes Currency Exchange)	142
WI	Seller of Checks	39
WV	Money Transmitter License	74
WY	Money Transmitter License	58

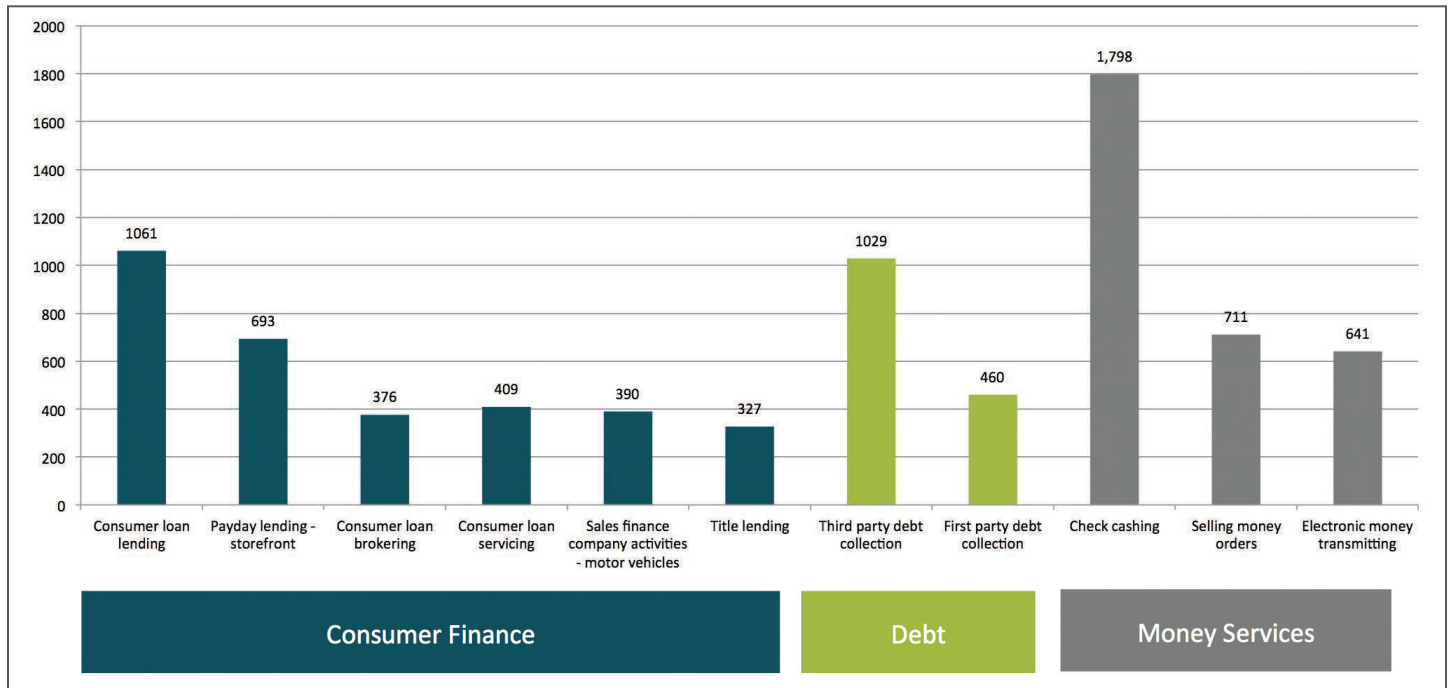
**FIGURE 12. LIST OF MSB LICENSE NUMBERS AND TYPES BY STATE**



## OTHER INDUSTRIES IN NMLS

State agencies regulate a wide range of financial services and this diversity is reflected in NMLS. As of year-end 2015, 23 state agencies were managing one or more license authorities that could be generally categorized under “consumer finance” or others that regulate some aspect of consumer debt, such as debt collection, debt management, and counselling. This additional license management led to an increase in the number of companies participating in NMLS conducting a variety of financial services activities (Figure 13).

As more state agencies opt to manage license authorities on NMLS, SRR expects to be able to provide robust industry specific information on these industries as it is currently able to do for the mortgage industry and the MSB industry.



**FIGURE 13. EXPANSION INDUSTRIES IN NMLS**

## NMLS ACTIVITIES

NMLS processes a variety of transactions for system users. NMLS assists state regulators in supervising their licensed entities, enables licensees to apply for and maintain a license, and allows federally regulated depository institutions and subsidiaries to manage their registered MLOs through one system. The most common transactions performed through NMLS are new applications, amendments, and renewals. An amendment occurs each time a licensee or registrant’s record is updated, whereas renewals are submitted annually. NMLS serves as the vehicle for scheduling testing and education and maintaining all state-licensed MLO test and course completion records. The System receives and processes licensee and registrant requests for criminal background checks for state-licensed and federally registered MLOs and credit reports for state licensees. Additionally, NMLS collects state fees from licensed entities and disburses such funds to the state agency. Figure 14 highlights the

registration, licensing, and professional standards activity that took place in the System in 2014 and 2015 for licensed or registered companies, institutions, branches, and MLOs.

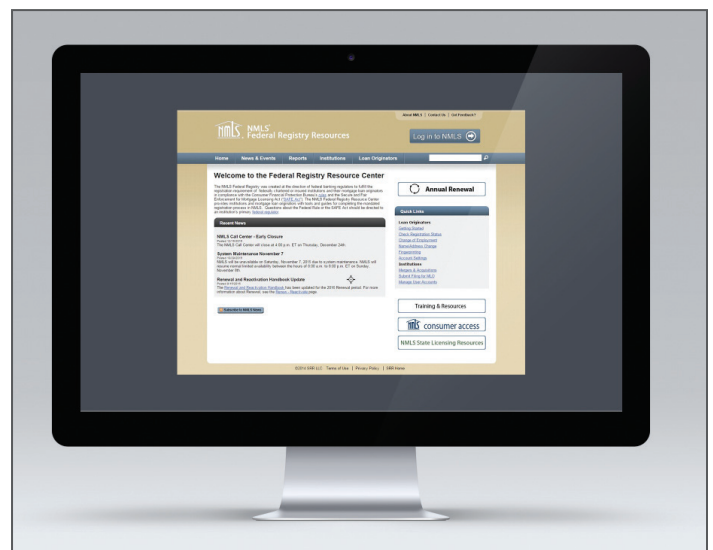
STATE LICENSING ACTIVITIES	2014	2015
NEW APPLICATION REQUEST	133,765	157,798
RENEWAL REQUEST	365,998	431,681
CHANGE OF SPONSORSHIP REQUEST	57,003	57,532
FEDERAL REGISTRATION ACTIVITIES	2014	2015
NEW REGISTRATION REQUEST	78,707	80,300
RENEWAL REQUEST	374,512	386,635
CHANGE OF EMPLOYMENT REQUEST	38,158	37,431
PROFESSIONAL STANDARDS	2014	2015
CREDIT REPORT	110,006	110,533
BACKGROUND CHECK	230,685	236,452
TEST	102,861	83,228
EDUCATION HOURS	1,764,436	1,803,299

**FIGURE 14. LICENSING, REGISTRATION, AND PROFESSIONAL STANDARDS ACTIVITY**

## NMLS RESOURCE CENTER

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

In 2015, the two resource centers (Figure 15) had more than 2.4 million unique visitors who viewed more than 12.5 million pages.



**FIGURE 15. NMLS RESOURCE CENTER WEBSITES**

## NMLS CALL CENTER

The NMLS Call Center provides industry users a live support system available to answer questions and provide real-time help navigating the System. Call center representatives are trained in all aspects of system use and policy. Also, teams are assigned to provide more specialized support in specific areas such as questions on the Mortgage Call Report or Federal Registry issues. The call center responds directly to queries regarding any system issues, and directs all specific regulatory, registration, or licensing questions to the appropriate state or federal agency. The call center staff is available to NMLS users Monday through Friday from 9:00 a.m. to 9:00 p.m. ET (Figures 16 and 17). The call center is funded through NMLS processing fees and operates at no additional charge to system users.

### NMLS CALL CENTER 2015 ACTIVITY AT A GLANCE

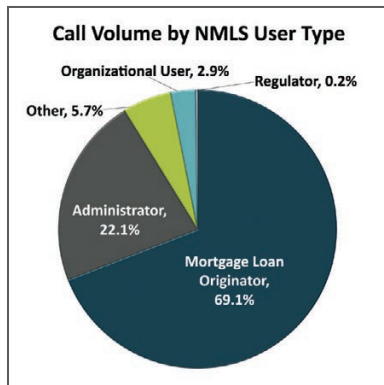
Overall call volume at the NMLS call center decreased 12 percent from 2014 to 2015 with a total of 473,666 calls. The call center responded to an average of 1,841 calls per day.

- 56 percent of calls were related to state licensing topics
- 21 percent of calls were related to federal registry topics
- 23 percent were related to entitlement issues, such as password reset and account unlock requests

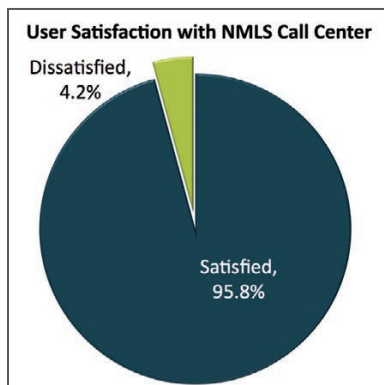


SRR staff and call center agents utilize a Client Relationship Management (CRM) system to track each user interaction. With this information, SRR is able to generate reports to understand user behavior, identify potential NMLS enhancements, improve call volume forecasting, gather feedback on new policy, identify adoption of new processes, and a wide variety of other key issues. All calls are recorded, allowing SRR to monitor quality and troubleshoot if issues arise.

Starting in 2014 but expanded in 2015, the call center initiated an effort to provide a follow-up email to callers with self-help solutions specific to their issues. These solutions are typically links to quick guides and checklists housed on the NMLS Resource Center and provide guidance to the user that should aid in continuing the trend towards lower call volumes. These self-help solutions are sent on nearly half of all calls to the call center and have reduced return calls and increased user satisfaction (Figure 18).

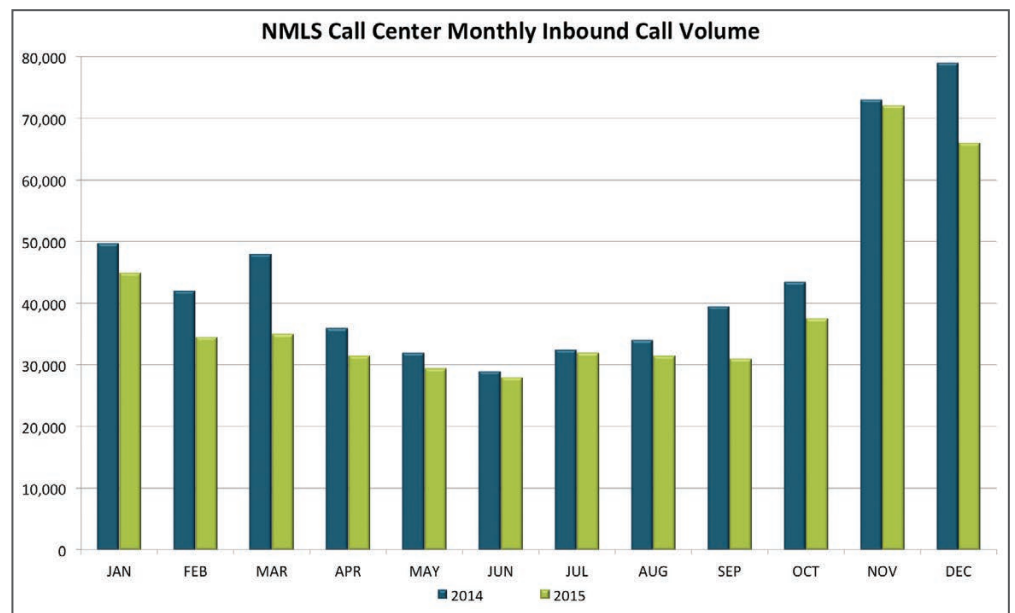


**FIGURE 16. CALL VOLUME BY NMLS USER TYPE**



**FIGURE 18. USER SATISFACTION**

The call center responded to an average of 1,841 calls per day.



**FIGURE 17. NMLS CALL CENTER MONTHLY INBOUND CALL VOLUME BY YEAR**

## REGULATORY USER GROUP

The Regulatory User Group (RUG) provides customer support to all state and federal regulators using NMLS. The group also provides support on more complex calls made to the NMLS call center. About 15 percent of the RUG Team’s case workload comes directly from regulators. Regulator requests are typically related to changes to license types, ad-hoc report and data download requests, entitlement issues, and other general inquiries. The remaining 85 percent of the RUG Team’s case workload is generated by industry users whose issues are escalated through the NMLS call center. Industry requests are

generally related to system changes and corrections such as the addition or deletion of account administrators or the update or correction of individual email addresses, names, and other personal information contained within NMLS.

The RUG Team is available to regulators Monday through Friday from 8:30 a.m. to 5:00 p.m. ET. The Team processed a total of 11,700 cases in 2015. The RUG Team also utilizes the CRM system to capture all direct contacts for case management and analysis purposes.

## NMLS TRAINING

In 2015, the NMLS Training Team increased its focus on offering off-the-shelf recorded and self-paced eLearning training opportunities for a variety of audiences to supplement live instruction. In-person sessions, live webinars, recorded webinar training, eLearning courses, user guides, and demonstration videos were made available to state regulators, state-licensees, federal registrants, and vendors.

The NMLS Training Team configured and implemented the Learning Management System (LMS), which is used to store, deliver, and track the history of training sessions for individual users. The LMS has approximately 5,700 users, manages 280 live, recorded, and eLearning courses, and includes on-demand learning opportunities such as new user training for all NMLS audiences and other specialized content recordings. (Figures 19 and 20.)

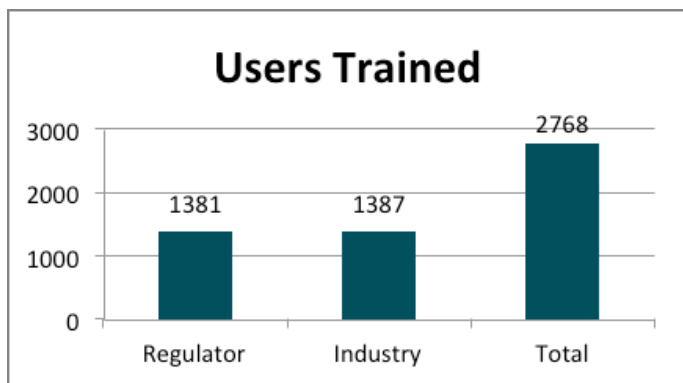


FIGURE 19. NUMBER OF USERS TRAINED

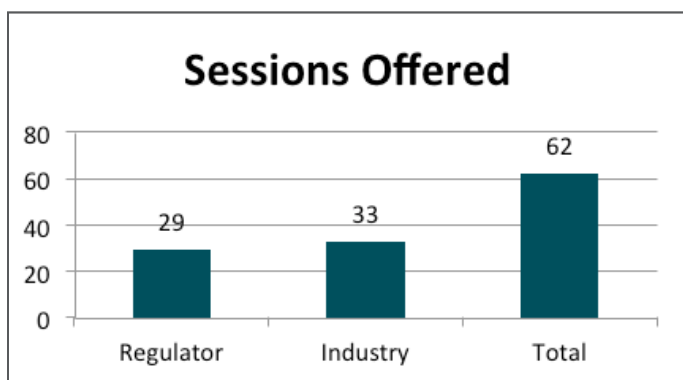


FIGURE 20. NUMBER OF SESSIONS OFFERED

During 2015, there was an increased focus on converting lengthy navigation guide content contained in NMLS into shorter, page-specific policy and help documents. These documents are available to industry through the Help button on each page of the System, as well as the NMLS Resource Center. The policy and help documents provide

useful system policy and how-to instruction for a given page in a more concise and easier to access format than longer user guides.

The NMLS Training Team, in conjunction with a working group of AARMR members, also worked towards completion of a comprehensive Mortgage Licensing School for state regulators designed to provide best practices in application review and NMLS functionality. The program provides focused, relevant education by allowing state regulators to enroll in a learning plan that is specific to their role within an agency.

In 2015, a number of notable new learning resources were introduced: a Renewal Handbook specific to state-licensed companies in the money services business, debt, and consumer finance industries; a complete library of renewal demonstration videos for federally registered institutions and individuals; increased in-person regional trainings for state agencies; and the highest number of training sessions to date at the 2015 NMLS Annual Conference and Training.

In 2016, the NMLS Training Team will continue to enhance interactive learning opportunities in webinars by enabling users to use a simulated environment of the System. In addition, the NMLS Call Center training curriculum will be modernized to better support efficient and effective customer service, explore eLearning opportunities for more audiences, and create opportunities to streamline access to pertinent user guides for improved system support.

## REPORTS

SRR regularly publishes reports analyzing the entities and activity trends found in NMLS. The NMLS Mortgage Industry Report, published quarterly and annually, compiles NMLS data on all entities and individuals licensed or registered in NMLS to conduct mortgage activities. The report includes numerous charts and graphs detailing information about the business activities of licensed companies, locations and numbers of licenses obtained, and a state-by-state breakdown of license and registration application activity, including the number of new license applications, approvals, denials, revocations, and suspensions. The report also details information collected from licensees in the Mortgage Call Report.

In addition to reports on the mortgage industry, SRR also publishes quarterly fact sheets on money services businesses, payday lenders and debt collectors licensed in NMLS. All reports and several additional data sets are available on the NMLS Resource Center Reports page.

## DATA ANALYTICS

Mortgage Call Report (MCR) Analytics was expanded in 2015 to include a standardized report for examiners to use as part of a mortgage exam. The MCR Exam Report allows examiners to review key data points over time and in comparison to a company’s peers. The report went into beta testing by several state agencies in September 2015 and is set to be released in early 2016.

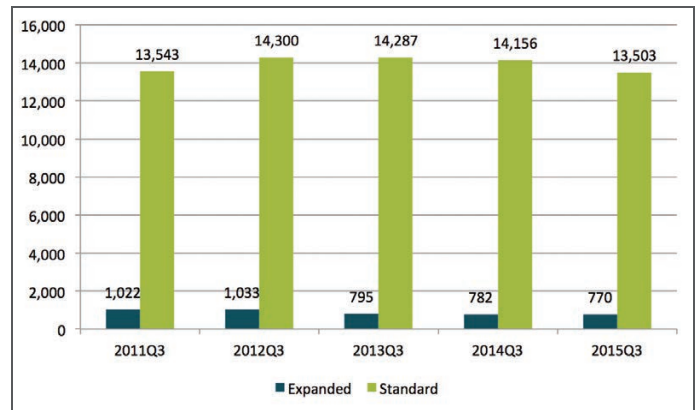
A new regulator working group was formed this year to look at opportunities to provide state agency managers with analytics applications that could help them monitor and improve workflow. The working group prioritized several enhancements to the Renewal Analytics application, which gave regulators several new tools to improve renewal workflow. These enhancements went live in October 2015 for the 2016 renewal season. The working group has also been guiding construction of an application set to launch in 2016 which will analyze other major workflows in NMLS (License Requests, Amendments, Sponsorship Requests, etc.) so that agency managers can monitor workloads and benchmark performance.

## NMLS MORTGAGE CALL REPORT (MCR)

In the first quarter of 2015, the MCR was modified to collect nationwide servicing information and information on qualified mortgages (as defined in federal law and rules). Expanded filers also began reporting more detailed state specific servicing information. In addition, industry filers were able to voluntarily provide changes in the application amount before official adoption of this requirement in 2016.

SRR invited public comment on the MCR, including comments on the definition of “application.” Changes to the MCR were approved and announced in the last quarter of 2015. Changes for 2016 are clarifications and refinements to qualified mortgage reporting and several usability changes. A complete description of all changes can be found on the NMLS Resource Center.

Figure 21 shows the number of Expanded and Standard MCR filers.



**FIGURE 21. NUMBER OF COMPANIES FILING STANDARD AND EXPANDED CALL REPORTS IN Q3 BY YEAR**

## NMLS CONSUMER ACCESS

NMLS Consumer Access is a fully searchable website that allows consumers to view information concerning companies, branches, and individuals that are state-licensed or federally registered in NMLS. This free service is an invaluable consumer resource containing information on virtually all MLOs operating in the United States as well as any state-licensed or federally registered companies in NMLS. In addition to identifying information for each individual or entity, detailed information on all licenses or registrations held, as well as any applicable regulatory actions taken, is included. In 2015, 2.8 million visitors viewed almost 86 million pages on the NMLS Consumer Access website. SRR launched NMLS Consumer Access in 2010.

In 2015, feedback was gathered from state and federal regulatory agencies, financial services industries and consumer advocate groups on SRR’s plan to update the NMLS Consumer Access website. Besides a new look and feel, SRR plans to enhance the search functionality and add content that would support consumer financial education and protection. Regulator and Industry Working Groups were established to help define the requirements for these improvements and plan how to increase awareness of NMLS Consumer Access for industry and consumers alike.

## NMLS B2B ACCESS

SRR offers a subset of the public data available on NMLS Consumer Access in a business-to-business (B2B) data format through a subscription service known as NMLS B2B Access. Last year, SRR added four new B2B subscribers who are using the NMLS data for verification, fraud prevention or referral purposes.

## NMLS ANNUAL CONFERENCE AND TRAINING

The seventh NMLS Annual Conference and Training was held February 16 – 19 2015, in San Diego, California, with more than 540 registrants in attendance. As in the past year, the SRR Board of Managers approved a scholarship program to allow each state agency on NMLS to send at least one representative to this training conference. Agencies that have expanded their use of NMLS to license non-mortgage industries were given two scholarships so that regulators focused on the MSB, debt or consumer finance industries could also attend. State regulators from 54 state agencies joined licensees from a range of industries, education providers, law firms, and consultants to engage in a variety of topics concerning NMLS and state and federal regulation. The 2015 NMLS Annual

Conference expands beyond state and federal mortgage industry issues to include sessions relevant to the money services business, debt collection, and consumer finance. In addition, sessions included presentations on MCRs, testing and education, Federal Registry System use, numerous new and upcoming System enhancements, and many more topics. The 2015 NMLS Conference provided an opportunity for regulators, licensees, and registrants to learn from industry experts and peers to solve business and industry challenges (Figures 22 and 23).

The eighth NMLS Annual Conference and Training is scheduled for February 16 – 19, 2016 in Phoenix, Arizona (Figure 24).



**FIGURE 22. MEET THE REGULATOR SESSION AT THE 2015 NMLS ANNUAL CONFERENCE**



**FIGURE 23. 2015 NMLS CONFERENCE & TRAINING SESSION**



**FIGURE 24. 2016 NMLS CONFERENCE & TRAINING**



## NMLS POLICY COMMITTEE (NMLSPC)

At the center of the NMLS policy making process is the NMLS Policy Committee. This 11 person committee of state financial services regulator users of NMLS was created by the SRR Board of Managers to make policy decisions for NMLS functionality and operations. Decisions are made after considering input from NMLS participating state agencies, licensees and industry.

In 2015, the NMLSPC reviewed a variety of issues affecting NMLS policies and the operations of the System. Highlights of their work include: setting NMLS development priorities; review and evaluation of public comments on the MCR, NMLS licensing forms, pre-licensure education expiration and electronic surety bond tracking in NMLS; clarification and changes to the business activities in NMLS; review of NMLS Consumer Access suppression requests; approval of B2B applications and changes; development of policies on the use of an individual's legal name and the NMLS ID; and various discussions with state regulators and industry related to issues raised to the NMLS Ombudsman.

A roster of NMLSPC members can be found in **Appendix F**.

## NMLS OMBUDSMAN

The NMLS Ombudsman provides a resource for System users with the goal of assisting in the resolution of NMLS policy and operational issues. The objective is to foster constructive dialogue between industry users of NMLS and state regulators to work mutually toward the goal of modern and efficient financial services regulation. The NMLS Ombudsman is available to discuss matters publicly or in a confidential manner and assists with these matters by identifying options for resolving issues and by directing issues to the appropriate SRR personnel or state agency.

The NMLS Ombudsman held two public meetings in 2015 in conjunction with the NMLS Annual Conference and Training in February in San Diego, California and the AARRM Annual Regulatory Conference in August in New Orleans, Louisiana. During 2015, the Ombudsman also spoke at the MTRA, NACARA, and NACCA annual conferences. A variety of issues were raised during these meetings, including:

- General system enhancement and usability proposals
- Processes for sponsorship requests and automation of those processes
- Credit report request process for non-US residents
- State requirements regarding advertising and use of social media
- Disclosure question clarification and guidance on proper disclosure
- Mortgage Call Report – Suggestions, requests for guidance, and modifications
- Reasoning behind state-specific criminal background checks
- Discussion of CSBS' proposal for prudential standards for non-bank mortgage servicers
- MLO testing for federal registrants
- Implications for privilege of information when data is provided through NMLS

Additionally, the NMLS Ombudsman received roughly 100 unique emails from individuals and companies around the country seeking assistance. A summary of all public meetings is posted on the NMLS Ombudsman page on the NMLS Resource Center (Figure 25).



**FIGURE 25. NMLS OMBUDSMAN MEETING PARTICIPANTS**

## NMLS PARTICIPATING STATES COMMITTEE— REGULATOR OPEN FORUM

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

Examples of major topics discussed during 2015 include:

- NMLS Modernization and the Exam Management Tool Suite
- Annual license renewals and license reinstatement processing
- NMLS Ombudsman feedback from public meetings
- Training sessions and communication plans
- Upcoming surveys and survey results on various NMLS functionalities and proposals
- The 2015 renewal plan and strategy
- Review and discussion of public comments received on: Mortgage Call Report; uniform NMLS licensing forms; money services businesses call report; electronic surety bond tracking; pre-licensure education expiration

## INDUSTRY DEVELOPMENT WORKING GROUP (IDWG)

NMLS consults with the IDWG to gather input from industry users on a monthly basis. This group provides input into the technical and functional development of NMLS. During 2015, some topics reviewed by the IDWG include:

- Requests for public comments
- Licensing compliance issues and concerns
- Electronic surety bond tracking
- Pre-licensure expiration policy
- Updates to the licensing forms and MCR

A roster of the members of the IDWG can be found in **Appendix F**.

## PUBLIC COMMENT REQUESTS

As determined by the SRR Board of Managers or the NMLS Policy Committee, public comments are issued for significant policy concerns or System functionalities. In 2015, three requests for comment were issued:

### *Proposed Changes to the Uniform NMLS Licensing Forms and Mortgage Call Report*

Issued: May 1, 2015

Number of Commenters: 11

### *Proposed Changes to the Uniform NMLS Licensing Forms and Mortgage Call Report*

Issued: July 21, 2015

Number of Commenters: 11

### *Proposed Money Services Businesses Call Report*

Issued: October 5, 2015

Number of Commenters: 8

The Forms Working Group, MCR Working Group, and Document Upload Working Group, comprised of state regulators, reviewed the public comments received and made recommendations to the NMLSPC for consideration. Active and archived proposals issued for public comment, comments received, and SRR's response to comments are available on the NMLS Resource Center. Rosters of these three regulator working groups can be found in **Appendix F**.

## HELP RESOURCES IN NMLS



In 2015, SRR continued work to incorporate all of the information contained in the NMLS Policy Handbook into specific help documents for each page in NMLS. The primary purpose of these documents is to provide users that are active in the System with an easily accessible method to review relevant policy, instructions, and helpful tips while in NMLS. While the project is still ongoing, during 2015, these new Help documents were incorporated throughout the entire state licensing portion of the System. More than 200 new help documents were created and posted to the NMLS Resource Center and nearly 800 pages on the System were updated to point to these new resources.



## HIGHLIGHTS OF 2015

All aspects of NMLS development and enhancements are accomplished through the efforts of various working groups, task forces, and committees made up of state regulators and industry experts. A successful release implementation for NMLS depends upon the continued involvement and valuable feedback from these stakeholders. NMLS deployed four major releases (January, April, July, and October) in 2015. Below are highlights of the enhancements delivered during 2015 as well as some of the major ongoing development work during 2015:

### USABILITY

- **Account Administration Streamlining.** Several functions on the Admin tab were consolidated to reduce the need to search and re-search for a user to execute multiple account tasks.
- **Books and Records – Shared Locations.** Company users can indicate when a branch location shares the Books and Records location submitted on the Company filing. When a company updates the shared location on an attested and submitted Company filing, a Branch filing does not need to be submitted to update the shared location for the branch.
- **Document Upload.** Company document upload functionality was enhanced to organize document upload views in pending and submitted filings and allow users to more easily identify documents modified on a filing. Branch document upload enhancements are targeted to 2016.
- **Industry Dashboard.** Industry dashboards were updated to include information regarding Advance Change Notices (company only) and Renewals and Test Enrollments (company and individual).
- **Regulator Work List.** Enhancements were made to improve regulators' ability to assign and manage tasks and review Advance Change Notice submissions.
- **Uniform Authorized Agent Reporting.** Enhancements were made to allow licensees to report and regulators to track multiple agents or terminals with the same Employer Identification Number (EIN) at the same physical address.



FIGURE 26. INDUSTRY DASHBOARD

### FORM UPDATES

On May 1, 2015, SRR solicited public comments on the Uniform NMLS Licensing Forms and Mortgage Call Report. The comment period ended on June 1, 2015, and all public comments and SRR's response are posted on the NMLS Resource Center. Changes approved by the NMLSPC are targeted for implementation in 2016. More extensive updates to the Forms and MCR are expected to be realized in the NMLS Modernization initiative, slated for 2018 completion.

- **Mortgage Call Report.** Servicing activity reporting and system data validation enhancements were implemented in 2015 to address changes discussed among state regulators and industry representatives in 2014.

### INFORMATION SHARING

To improve regulatory oversight capabilities, state and federal agencies agreed to provide increased access to individual state licensee and federal registrant data across all agencies. State regulators were also given the ability to view additional licensee information provided by fellow state regulatory agencies.

### SECURITY

SRR has ongoing initiatives to enhance system and data security. Security-related enhancements made in 2015 include:

- **Captcha Test for Failed Logins.** Users who mistype their password twice are required to enter a Captcha code to verify that they are a human entering their password.

- **Data Masking.** Non Public Personal Information, personal identity information not publicly available and usually protected by state or federal law, is masked throughout the system. In addition, an audit event is captured when users with confidential information roles reveal the information.
- **Role-Based Two Factor Authentication.** NMLS can enforce two-factor authentication requirements based on user roles. In 2015, state regulator Account Administrators and state regulator users with the ability to view federal information were added to the pool of users requiring two-factor authentication.
- **Federal Agency Regulatory Actions.** Allows federal agency users to view information in NMLS, run reports and upload public regulatory actions on entities managed in NMLS. These actions will be viewable within NMLS and NMLS Consumer Access when the actions are posted.
- **Individual Document Upload.** This functionality is being designed to allow individuals to upload licensing related documents directly into NMLS.
- **Money Services Businesses (MSB) Annual/Call Report.** A new reporting capability is being developed for MSB licensees to submit their routine financial reporting electronically in NMLS.

#### DATA ANALYTICS

MCR Analytics was expanded in 2015 to include a standardized report for examiners to use as part of a mortgage exam. The report went into beta testing by several agencies in September 2015 and is set to be released in early 2016.

New features were added to Renewal Analytics to give regulators the ability to refine their view on the annual license renewal process.

The full NMLS development release schedule can be found in **Appendix E**.

#### NMLS PRODUCT ROADMAP – LOOKING AHEAD

During 2015, NMLS continued to deploy improved software development processes to increase responsiveness and deliver value faster for system users. Planning processes were initiated to begin the Modernization of NMLS and to provide an Examination Management Tool Suite. NMLS is working on the following major enhancements for future implementation.

- **Criminal Background Check for Control Persons.** Enables state regulators to require specified natural person direct owners, executive officers, indirect owners, qualified individuals, and branch managers to provide fingerprints and authorization for the purposes of completing a federal criminal background check.
- **Electronic Surety Bond Tracking.** Surety bond tracking is being developed to create a nationwide standard for electronic surety bond delivery, tracking, and maintenance.
- **Expansion of NMLS Data Services and Analytics.** This tool is continuously being expanded to allow users the capability to access and manipulate additional data contained in the System.

- **Next Generation Identification Program – RAP Back Service.** Participate in the FBI's "RAP Back" program that would permit NMLS to receive information on subsequent arrests or prosecutions for individuals and provide notices to the relevant regulators.
- **PE Expiration.** Implement functionality in NMLS to expire pre-licensing (PE) courses for individuals if they have not obtained a license or federal registration within three years of required course completion. After expiration, an individual will have to become compliant with PE requirements before they can apply for licensure.

#### MODERNIZATION AND TRANSITION PROJECTS

- **NMLS MODERNIZATION (NMLS 2.0).** In December 2014, the SRR Board of Managers and the CSBS Board approved issuing a Request for Proposal (RFP) for a multi-year effort to modernize NMLS. The RFP effort began in earnest in 2015 and culminated in the issuance of the RFP and the submission of proposals from a wide range of system integration providers. The evaluation of the modernization proposals will continue into 2016 with a goal of selecting a vendor during the second quarter of 2016.
- **EXAMINATION MANAGEMENT TOOL SUITE (EMTS).** SRR staff was engaged throughout the year with the EMTS Working Group to further refine and validate the business requirements for the future system. The EMTS Working Group is composed of examination staff and management from 11 state agencies. An RFP for development of the EMTS was issued in July of 2015 and evaluation of the submissions are being evaluated to ensure the needs of the state agencies are met.
- **ENTERPRISE DATAWAREHOUSE (EDW).** SRR completed development of the EDW in 2015. The

process to achieve FISMA ATO (Authorization to Operate) will begin in early 2016. The EDW will provide a foundation for new reporting and analytic functions for NMLS to better serve the needs of state regulators. Some of the projects that are currently planned to be built on the EDW are: NMLS User Reports; a redesigned Consumer Access website; and an enhanced Data Download capability.

- **NMLS CONSUMER ACCESS.** NMLS Consumer Access is being redesigned to improve the user interface, enhance search and filtering capabilities, and to expand the use of the product by consumers. A working group of state regulators and industry has been guiding the redesign.

- **DATA DOWNLOAD.** SRR will relaunch existing data download functionality on the EDW and work on recreating a more streamlined and flexible download capability for state regulators.
- **USER REPORTS.** SRR is researching options to provide a more flexible capability for generating reports from NMLS data for state agency, federal agency, and industry users of the system. The project includes the identification of data and usability needs, and the development and enhancement of new and existing user reports using NMLS data.

## ➤ TESTING AND EDUCATION

### OVERVIEW

In 2015, there were important developments in the NMLS testing and education programs. The highlights include:

- A Job Analysis Study was conducted for the purpose of maintaining the validity of the National Test Component with Uniform State Content
- The implementation of an improved method of constructing and administering National Tests
- More state agencies adopted the Uniform State Test (UST) bringing the total number of adopting agencies to 50
- An initiative to monitor online sites and improve security of test content and NMLS intellectual property
- The education compliance function was strengthened and produced important results

The rest of this section describes these and other accomplishments.

### BACKGROUND

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

- Develop and administer a qualified written test that all state-licensed MLOs must take and pass with a minimum passing score of 75

- Approve all courses that state-licensed MLOs must take to satisfy their pre-licensure education and continuing education requirements

### UNIFORM STATE TEST (UST)

Four additional state agencies adopted the UST in 2015 bringing the total number of state agencies that have adopted to 50 (Figure 27). The adoption of the UST has had a very positive impact on the increase of MLO applications in the adopting states and has contributed to more licensees holding multiple licenses (Figure 28).

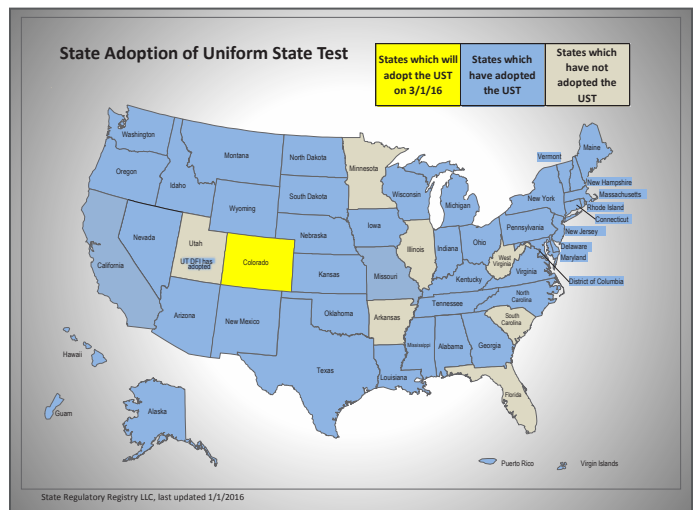
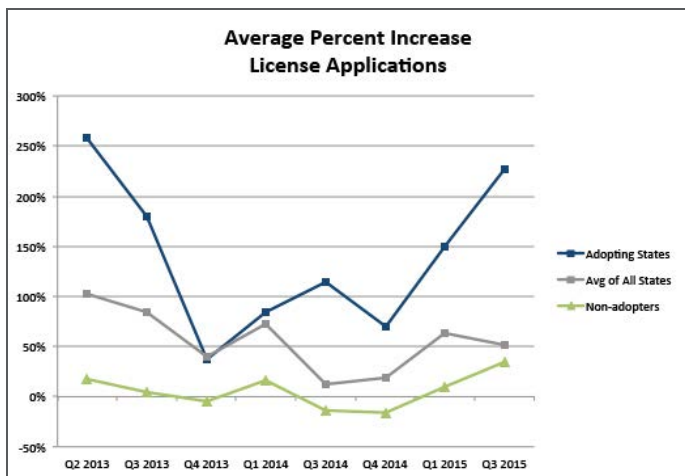


FIGURE 27. STATE ADOPTION OF UNIFORM STATE TEST



**FIGURE 28. IMPACT ON LICENSE APPLICATIONS AFTER UST ADOPTION**

### TEST DEVELOPMENT AND MAINTENANCE

In February 2015, SRR implemented the conversion of the National Test Component with Uniform State Content using a Linear on the Fly Test (LOFT) administration and scaled scoring model. LOFT administration is used by many high-stakes testing programs. It is often regarded as a more secure and fair testing administration method, which makes much better use of the SRR bank of test questions. It also improves test security by minimizing the number of times any individual test question is seen by candidates.

A Job Analysis study was conducted in 2015 to revalidate the SAFE MLO National Test with Uniform State Content. A Job Analysis study is an industry standard process used in validating the knowledge areas assessed in a professional licensure examination. SRR selected a vendor that provides quality psychometric and test development services for a large number of licensure and certification testing programs. A summary of the Job Analysis study is available at the NMLS Resource Center.

SRR and its testing vendor continued with regular test maintenance activities that include convening test maintenance committees to review test content outlines and the content of test questions, along with evaluating item performance data and creating new test questions. SRR and the state agencies also conduct regular legislative reviews of state and federal components to ensure that test questions are accurate and up-to-date.

Through test maintenance, item performance analysis, and other means, SRR identifies and removes questions that are no longer appropriate, resulting in a test being

revised and republished. Part of the maintenance effort includes the “Test Content Comments and Challenges” process which is outlined on the NMLS Resource Center in the MLO Testing Handbook. In 2015, SRR formally responded to 105 challenges that were submitted under this process.

In 2015, as in 2014, the maintenance of the National Test with Uniform State Content was concentrated in item development in order to add to the additional robustness of SRR’s bank of test questions in preparation for and throughout the implementation of the LOFT administration model.

### TEST ADMINISTRATION

The national and 12 state components of the SAFE MLO Test were available in 2015. Due to the adoption of the National Test with Uniform State Content by four state agencies, a total of eight state tests remained available at the beginning of 2016. Approximately 80,000 test components were administered in 2015. MLOs were able to take any of the test components at more than 270 high-stakes test centers throughout the United States. A summary of the number of tests administered in 2014 and 2015 is included in Figure 29. This year was also the first time that test results could expire if the individual failed to maintain a valid, renewable license for a period of five or more years. (MLO testing under the SAFE Act began in 2009.) In 2015, more than 12,000 test results expired in NMLS.

2014 - 2015 NUMBER OF TESTS ADMINISTERED		
TEST NAME	2014	2015
SAFE MLO Test - National Component	NA	NA
SAFE MLO Test - National Component with Uniform State Content	28,935	37,638
SAFE MLO Test - State Components (Aggregate)	36,889	34,991
SAFE MLO Test - Stand-alone Uniform State Content	22,061	NA
Total Tests Administered	87,885	72,629

**FIGURE 29. NUMBER OF TESTS ADMINISTERED IN 2014 AND 2015**

### TESTING AND EDUCATION SECURITY

In 2015, SRR made a number of improvements to the overall security of the mortgage testing and education programs. Since March 2015, all persons who take pre-licensure or continuing education courses must now acknowledge and accept the Rules of Conduct for Education Students. In August 2015, SRR implemented a web surveillance

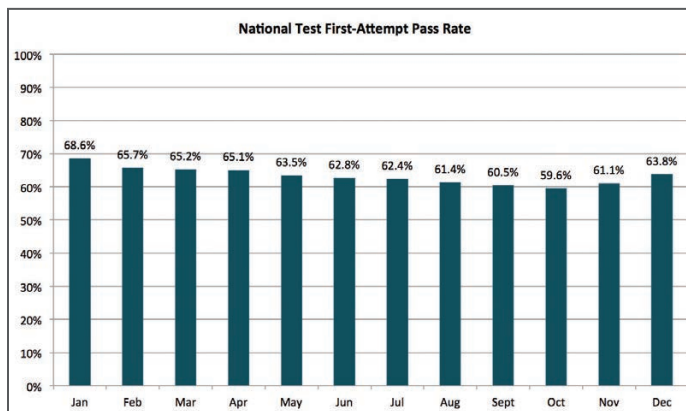
program to detect if copyrighted content from the SAFE MLO Test is being shared or disseminated online. The service continuously monitors the web for public posts that contain confidential test content. This service has resulted in several investigations and successful requests for the removal of copyrighted materials from the web.

## TEST PERFORMANCE

SRR regularly monitors the performance of the SAFE MLO Tests and posts quarterly test administration and performance information on the NMLS Resource Center. An example of the information collected and posted is found in Figure 30, which shows the pass rates by attempt for the National Test with Uniform State Content since its implementation on April 1, 2013. In addition, Figure 31 illustrates the first-time pass rates by month through 2015.

NATIONAL COMPONENT WITH UNIFORM STATE CONTENT			
Pass Rates by Attempt			
April 1, 2013 through December 31, 2014			
	Tests Taken	Tests Passed	Pass Rate
1st Time	44,246	29,854	67.5%
Subsequent Attempts	10,603	5,158	48.6%
Overall	54,849	35,012	63.8%
	Candidates	Candidates Passed	Pass Rate by Individual
All Attempts	44,246	35,012	79.1%

**FIGURE 30. NATIONAL TEST WITH UST PASS RATES BY ATTEMPT**



**FIGURE 31. NATIONAL TEST FIRST TIME PASS RATES BY MONTH**

## EDUCATION RESULTS

In 2015, more than 148,000 state-licensed MLOs and MLO applicants completed more than 2 million hours of education (more than 936,000 hours of pre-licensure education (PE) and 1,155,000 hours of continuing

education (CE)). The number of PE hours completed in 2015 increased 31.4 percent from the year before. Of the more than 121,000 MLOs who were required to complete CE in 2015, a record 90 percent did so by December 31, 2015, an increase of four percent from the previous year. Interestingly, only 63 percent of MLOs completed their annual CE online, a decrease of 4.7 percent.

At the end of 2015, there were 112 NMLS-approved course providers, three fewer than at the end of 2014. Throughout the year, the approved course catalog had 1,661 NMLS-approved PE and CE courses, which is an increase of 15 percent from 2014. Course providers submitted more than 800 new courses for approval, and 860 existing courses for renewal. The courses were reviewed by a team of six industry professionals under contract by SRR.

NMLS Approved Education Fast Facts*	
Active Course Providers	112
PE and CE Courses	1,661
MLOs Completing Courses	148,367
Hours PE Completed	935,692
Hours CE Completed	1,155,358
CE Completed Online	63%
MLOs Completing CE by 12/31	90%
Course Compliance Exams Completed	125
*as of 12/31/15	

**FIGURE 32. NMLS APPROVED EDUCATION SUMMARY**

As a result of the growing adoption of the UST, 29 agencies now require state-specific PE and 22 require state-specific CE. This number will continue to grow in 2016. To help ensure that state-specific education requirements are meeting the intentions of each of the state agencies, in 2015, SRR updated or published 18 Education Notices. The notices serve as content outlines and reference lists for the development of courses and are updated every two years or at the request of a state agency.

In response to increased concerns about the integrity of online course administrations, SRR continued to explore procedures for improving methods of authenticating the identities of online course students.



## EDUCATION COMPLIANCE

SRR continued to focus heavily on ensuring courses are delivered in accordance with the intent of the SAFE Act. Staff initiated and completed more than 125 compliance exams in 2015. These exams included making visits to attend courses in each of the four approved delivery formats. SRR held discussions with 70 course providers to review their administrative procedures and validate they are in compliance with SRR’s policies. Course delivery standards were monitored through a scorecard approach that measures instructor knowledge, course delivery, administration, and overall student satisfaction. This data is derived from surveys sent to students at the end of each course. The results of the surveys are then shared with course providers. In 2015, SRR reviewed more than 4,500 survey comments.

In 2015, a survey process was initiated to enable course providers to provide feedback regarding the course evaluation and approval process. Course providers expressed a 97 percent satisfaction rate with the amount of time it takes for SRR to review and approve courses and the level of feedback detail provided.

## COURSE PROVIDER WORKING GROUP (CPWG)

In an effort to help to help provide relevant input on matters pertaining to course approval and course delivery policies, SRR established a Course Provider Working Group (CPWG) in May 2015. The CPWG is comprised of nine course providers representing a mix of large, medium, and small companies, as well as a representative from industry trade associations. The CPWG is intended to have broad geographic representation and a mix of schools that offer courses in each of the course formats approved by SRR. CPWG input will help ensure that, to the greatest extent possible, NMLS takes into consideration course provider’s

concerns when formulating policies or other requirements that impact the industry and course provider community. The members of the CPWG in 2015 are listed at **Appendix F**.

## MORTGAGE TESTING AND EDUCATION BOARD (MTEB)

MTEB, created in 2009 by the SRR Board of Managers, is comprised of at least nine state regulators representing each of the five CSBS Districts and at least one AARMR representative. MTEB performs an appellate role as necessary for investigations and provides guidance and recommendations to the SRR staff, the NMLS Policy Committee and the SRR Board of Managers on a range of issues affecting the implementation and operations of SAFE Act testing and education requirements.

In 2015, MTEB and SRR staff initiated 22 investigations involving alleged violations by test takers, education students, course providers, and online web publishers. The table at Figure 33 provides a summary of these cases.

A roster of MTEB members can be found in **Appendix F**.

2015 SUMMARY OF SRR AND MTEB INVESTIGATIONS					
Subject of Investigation	Type of Violation	Number of Cases	Findings		
			Violations Found	No Violation	Ongoing
Education Students	Rules of Conduct	4	1	1	2
Course Providers	Standards of Conduct	3	2	1	0
Test Takers	Rules of Conduct	12	4	8	0
Online Web Publishers	Misuse of Test Content	3	3	0	0

**FIGURE 33. SUMMARY OF SRR AND MTEB INVESTIGATIONS**

### SECURITY, PRIVACY, AND BREACH POLICIES

The NMLS Federal Registry portion of NMLS complies with the Federal Information Security Management Act (FISMA) of 2002, National Institute of Standards and Technology (NIST) best practices, Office of Management and Budget (OMB) Circular A-130, and all applicable laws, directives, policies, and directed actions per our contract with the CFPB on a continuing basis. The Registry meets the moderate baseline security controls contained within NIST Special Publication 800-53, is in compliance with Continuous Monitoring requirements per NIST 800-137, has a valid and current Authorization to Operate (ATO) approved by the CFPB.

The NMLS Criminal Background Check [CBC] system was also audited by the FBI for compliance with the Criminal Justice Information Services (CJIS) Security Policy version 5.3 and was deemed to be CJIS compliant.

Annual Compliance with the Payment Card Industry Data Security Standard (PCI DSS) was completed and attestation documents for SRR for period ended December 2015, was submitted by the NMLS Application Hosting and Operating organization; NMLS Card Processing organization NMLS Association Management system.

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

### LEGISLATIVE

As state agencies continue to expand their use of NMLS as a licensing and regulatory system for a broader range of financial services licensees, two critical pieces of legislation were signed into law that improve NMLS's ability to support this expanded use. Below is a brief summary of these laws.

#### Information Sharing

The original language of the SAFE Act (see **Appendix B**) addressed privilege and confidentiality protections for information shared among only mortgage regulators, creating an obstacle for NMLS expansion for license types whose state regulatory authority might not meet the definition of a mortgage regulator. For the past three

years, CSBS has been working with Congress on legislation to broaden the SAFE Act's protections for confidential and/or privileged information shared through NMLS among financial regulators. The Omnibus Appropriations bill approved by Congress and signed by the President in on December 18, 2015, included this proposal, which took effect immediately.



#### Background Checks

NMLS provides state regulators a secure and efficient means by which to conduct background checks on license applicants. Over the past several years, individual states and SRR have worked with the FBI in an effort to implement NMLS' ability to process background checks for individuals who are not licensed MLOs. A state wishing to conduct a criminal background check through traditional means may wait several weeks or months for a response, while in contrast, NMLS communicates directly with the FBI and often receives the same results in just 24 hours.

To address this issue, CSBS developed and advocated for a change in the SAFE Act to explicitly authorize NMLS to receive criminal background data for financial services providers other than MLOs when a background check is required by state law. The highway bill (the FAST Act), signed into law in early December 2015, contained language amending the SAFE Act to ensure the ability of the NMLS to process criminal background checks for non-depository licensees beyond MLOs where required by state law. This provision became effective when the President signed it into law on December 4, 2015.

## NMLS LEGAL AGREEMENTS

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

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

The Industry, State Agency, and Federal Agency Terms of Use are general System user agreements that an industry or regulator user must agree to as part of the NMLS log in process. Copies of these System user agreements can be found on the NMLS Resource Center.

There are two Credit Terms of Use agreements: one for state-licensed MLOs and control persons; and one for state regulators. State-licensed MLOs and control persons must push their credit reports to the appropriate state agencies where they are seeking licensure or renewing a license and acknowledge in NMLS that the credit report will be made available to one or more state regulators. State regulatory users are required to accept restrictions on the dissemination of an individual's credit information before accessing their credit data in NMLS. State regulators use this information as one tool to determine an individual's financial responsibility as required by the SAFE Act or corresponding state laws or regulations. Additional information regarding the Credit Terms of Use agreements can be found on the NMLS Resource Center.

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

## MEMORANDUM OF UNDERSTANDING

SRR entered into a memorandum of understanding with the Financial Crimes Enforcement Network (FinCEN) on June 1, 2015 governing the sharing of information in NMLS with FinCEN. FinCEN agreed to protect against the unauthorized access, use or distribution of the information accessed by FinCEN and to notify SRR immediately if any such unauthorized activity occurs. The parties agreed to share information relevant to a state or FinCEN's regulatory responsibility over their respective regulated entities.

## LITIGATION

SRR was not subject to any significant litigation in 2015.

## REQUESTS FOR PROPOSAL

### EMTS RFP

On July 14, 2015, SRR posted a Request for Proposal (RFP) seeking proposals for the design, implementation, and continued support of an Examination Management Tool Suite (EMTS). The goal of the EMTS is to provide an easily configurable, end-to-end solution for state regulators for scheduling, management, and archiving of depository and non-depository examinations applicable for single state, multi-state, and state-federal examinations that improves supervision through its comprehensiveness, information sharing, and efficiencies.

Proposals were due September 2015 and are currently being reviewed.

### NMLS 2.0 RFP

On September 15, 2015, SRR released a Request for Proposals (RFP) soliciting proposals for the modernization of the existing NMLS. The goal of the NMLS Modernization (NMLS 2.0) is to replace the current NMLS with a new system built on more modern and flexible architecture.

Proposals were due January 2016 and are currently being reviewed.

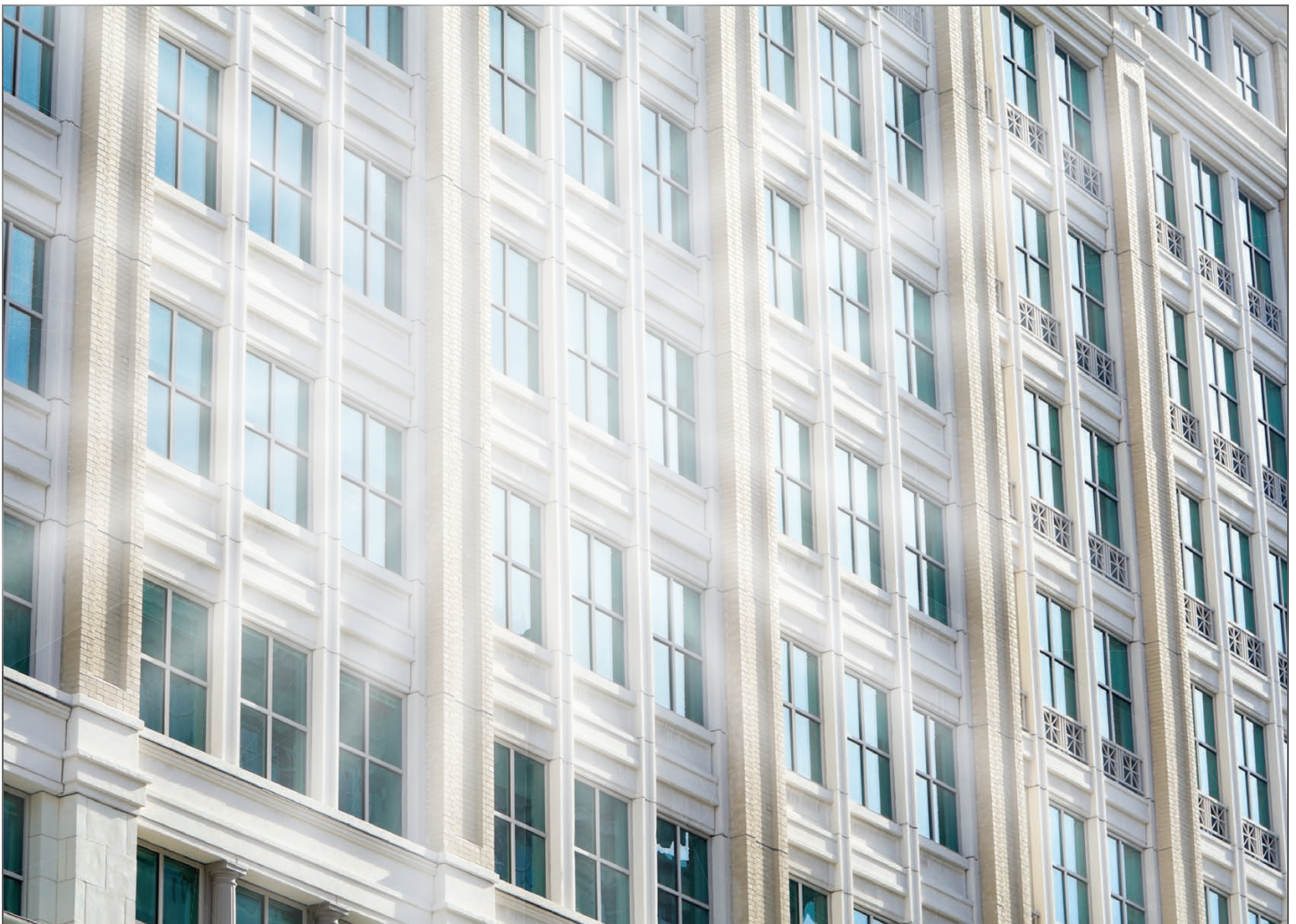


### OVERVIEW

Organizationally, SRR is structured as a single member limited liability corporation (LLC) with CSBS being the sole member. For tax reporting purposes, SRR is considered a part of CSBS and is therefore a 501(c)(3) tax exempt entity. Annually, an audit of SRR is performed by an independent accounting firm. At the time of this printing, the annual audit for the year ending December 31, 2015 was underway, but the final report had not been presented. When available, a copy of the final audit report will be posted on the SRR website.

### OUTLOOK

Looking ahead, 2016 includes significant items, including new and enhanced system functionality, and the expanded use of NMLS by additional state agencies with oversight of financial services industries. SRR's long-range plan has forecast that an appropriate financial reserve is essential in funding the ongoing development, operation and maintenance of NMLS as mandated by the SAFE Act, as well as to prudently position SRR to ensure continued operations in the event of variations in revenue given the cyclical nature of entities in the financial services industries that are registered and licensed through NMLS.



## CHARTS AND FIGURES

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- Figure 2. Count of State Entities and Licenses in NMLS
- Figure 3. Count of Federal Entities in NMLS
- Figure 4. Annual Growth – Companies vs. Licenses
- Figure 5. Annual Growth – Average Number of Licenses per MLO
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- Figure 9. Actively Registered Federal MLOs by Year
- Figure 10. Actively Registered Institutions by Year
- Figure 11. States Managing MSB License Types in NMLS
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- Figure 13. Expansion Industries in NMLS
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- Figure 28. Impact on License Applications after State Test
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- Figure 34. SRR-NMLS Organization Chart
- Figure 35. CSBS Organization Chart

**Appendix A**    **Organizational Governance**

**Appendix B**    **SAFE Act**

**Appendix C**    **NMLS Unique Identifier**

**Appendix D**    **NMLS Fees**

**Appendix E**    **CSBS Organizational Chart**

**Appendix F**    **Committee and Working Group Rosters**

- SRR Board of Managers
- NMLS Policy Committee
- Industry Advisory Council
- Mortgage Education and Testing Board
- SRR Lawyers Committee
- Regulator Development Working Group
- Industry Development Working Group
- SRR 2015 Ad Hoc Working Groups
  - + Checklist Improvement
  - + Consumer Access
  - + Document Upload
  - + Examination Management System
  - + Manager Analytics
  - + Money Services Businesses Call Report
  - + Mortgage Call Report
  - + Mortgage Licensing School
  - + Risk Profile
  - + Surety Bond
  - + Uniform Forms
  - + User Reports and Data Download

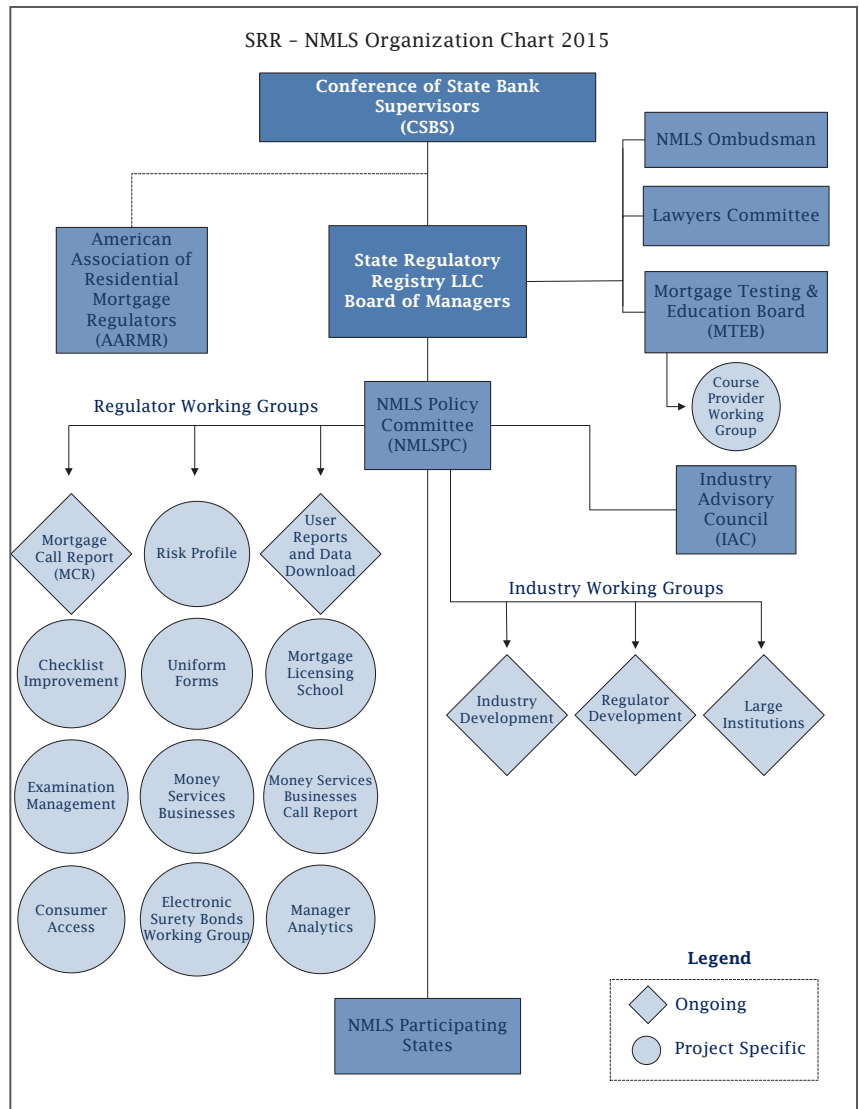
## ➤ APPENDIX A: ORGANIZATION GOVERNANCE

The guiding principles and policy decisions that drive the existence and continuing evolution of SRR’s operations are originated and developed through the involvement and leadership of state financial services regulators. Agency personnel spend countless hours leading and participating on boards, committees, and ad hoc working groups, contributing their expertise to make NMLS an effective regulatory tool. SRR also benefits from industry input and participation on various user groups.

### STATE REGULATORY REGISTRY LLC

SRR is a non-profit entity that operates NMLS on behalf of state financial services regulatory agencies (Figure 34). SRR is governed by an eight-member Board of Managers comprised of state banking regulators and a representative of AARMR<sup>3</sup>. The SRR Board of Managers is responsible for all development, operations and policy matters concerning NMLS. SRR operates as a subsidiary of CSBS<sup>4</sup>. An organizational chart of CSBS and related entities can be found in Figure 35.

At the end of 2015, SRR had 46 full-time equivalent professionals in Washington, D.C. These professionals work under the direction of the SRR Board of Managers to develop, enhance, and operate NMLS, oversee SAFE Act compliance, administer the testing and education programs, and facilitate working groups of state and federal regulators and industry related to state licensing, federal registration, supervision, and NMLS policy. Additionally, SRR contracts with the CFPB to register MLOs through the NMLS Federal Registry, as well as with other firms to deliver various portions of NMLS functionality and program oversight.



**FIGURE 34. SRR-NMLS ORGANIZATIONAL CHART**

<sup>3</sup>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.

<sup>4</sup>The Conference of State Bank Supervisors (CSBS) is the nationwide organization of banking regulators from all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. State banking regulators supervise nearly 5,000 state-chartered financial institutions. Further, most state banking departments also regulate a variety of non-bank financial services providers, including mortgage lenders. For more than a century, CSBS has given state supervisors a national forum to coordinate supervision of their regulated entities and to develop regulatory policy. CSBS also provides training to state banking and financial regulators and represents its members before Congress and the federal financial regulatory agencies.

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

## CSBS and Affiliates Board & Committee Overview

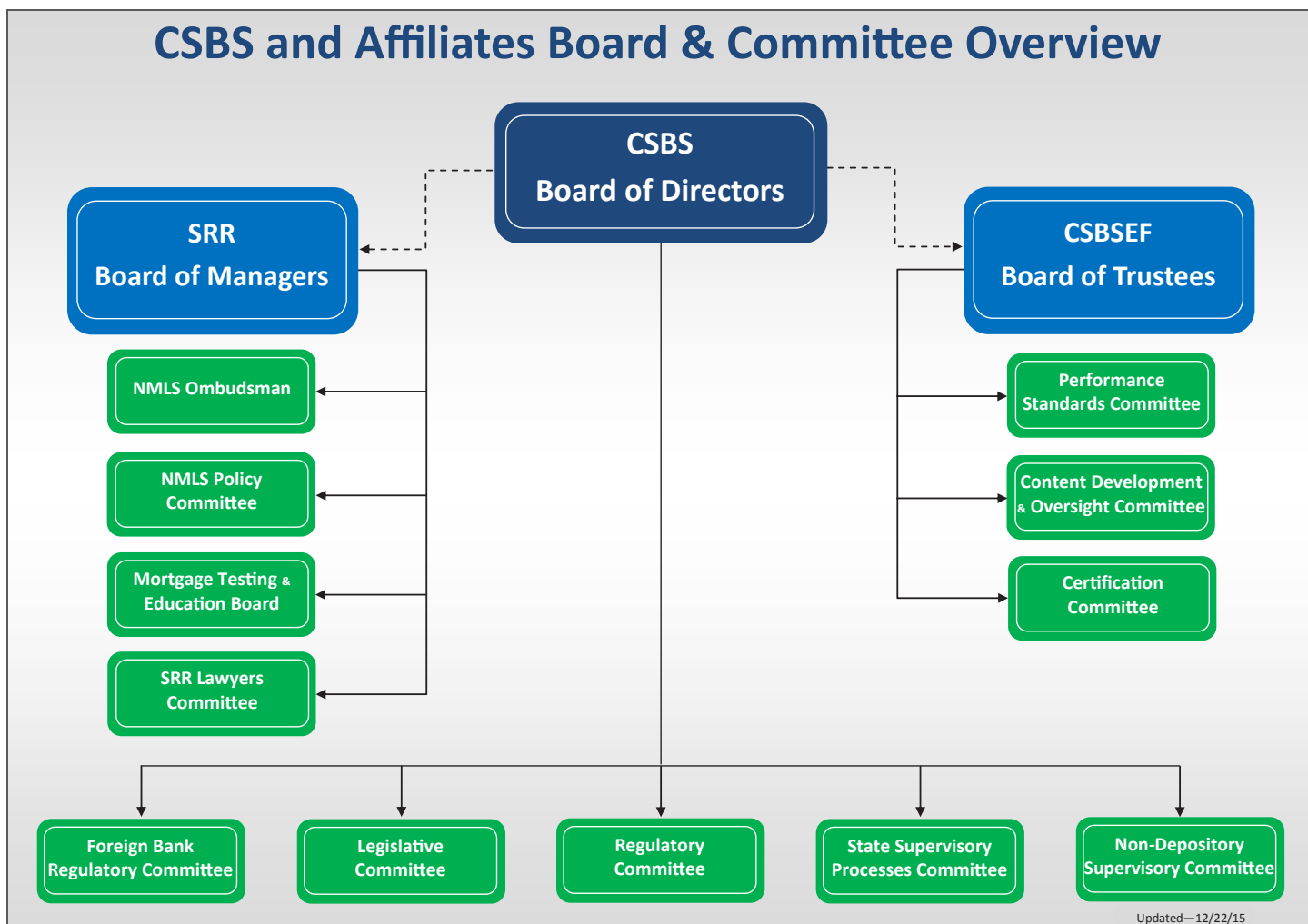


FIGURE 35. CSBS ORGANIZATIONAL CHART

### NMLS OMBUDSMAN

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

The NMLS Ombudsman is a member of the NMLS Policy Committee and reports directly to the SRR Board of Managers. The NMLS Ombudsman in 2014 was Robert Niemi, Deputy Superintendent for Consumer Finance,

Ohio Department of Commerce – Division of Financial Institutions.

### NMLS POLICY COMMITTEE

The NMLS Policy Committee is instrumental in the decision-making process related to NMLS operations, development and policy matters. All other committees and working groups generally report recommendations and findings to the NMLS Policy Committee which makes final decisions or recommends specific policy to the SRR Board of Managers, as appropriate. The Committee is comprised of 11 state regulators, including the NMLS Ombudsman, representatives from each of the five CSBS Districts, and representatives from AARMR, MTRA<sup>5</sup>, NACCA<sup>6</sup>, and the NACARA<sup>7</sup>.

<sup>5</sup>NACCA was formed in 1935 to improve the supervision of consumer financial companies and to facilitate the administration of laws governing these companies. NACCA presently has members from 49 states, the District of Columbia, Puerto Rico, and Alberta, Canada. Its members primarily license and regulate non-depository institutions such as finance companies, mortgage companies, small loan companies, pay day lenders, pawnbrokers, and other similar types of industries.

<sup>7</sup>NACARA is comprised of the various regulatory agencies in the United States and its territories and Canada that oversee the activities of third-party debt collectors.

## **MORTGAGE TESTING AND EDUCATION BOARD (MTEB)**

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

## **INDUSTRY ADVISORY COUNCIL (IAC)**

IAC provides industry input on System policies and operations. IAC members consist of individuals from state-licensed non-depository financial services companies, financial institutions, and financial services-related industry trade groups, as appointed by the Chairman of the SRR Board of Managers.

## **SRR LAWYERS COMMITTEE**

The SRR Lawyers Committee consists of attorneys from state regulatory agencies. The committee meets to identify and analyze legal issues related to NMLS operations with the intent of helping SRR spot potential legal issues from a state agency perspective and help shape solutions before they are incorporated into the System. The SRR Lawyers Committee also helps provide a multistate perspective on issues of interpretation and offers recommendations in order to facilitate a more uniform application of law on a nationwide basis. The SRR Lawyers Committee, however, does not provide SRR with legal advice.

## **NMLS PARTICIPATING STATES COMMITTEE**

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

## **REGULATOR DEVELOPMENT WORKING GROUP (RDWG)**

RDWG is comprised of state regulators representing a minimum of five states. The RDWG serves as regulatory subject matter experts in NMLS detailed requirements and development processes and meets with other ad hoc working groups when discussing specific areas of system development.

## **INDUSTRY DEVELOPMENT WORKING GROUP (IDWG)**

IDWG is comprised of NMLS industry users. The IDWG discusses NMLS operations, enhancements, and development issues.

## **LARGE INSTITUTIONS WORKING GROUP (LIWG)**

LIWG provides input on matters related to the NMLS Federal Registry's policy and functionality. The working group is comprised of large mortgage originating institutions across all charter types that are required under federal regulations to register their mortgage loan originators.

## **AD HOC WORKING GROUPS**

SRR convenes state regulator and industry working groups and committees as needed to determine System policy and development and to set the direction for operational needs. Working groups that were convened during 2014 include:

- Document Upload Working Group
- Examination Management System Working Group
- Mortgage Call Report Working Group
- Risk Profiling Working Group
- Surety Bond Working Group
- Checklist Improvement Working Group
- NMLS Consumer Access Working Group
- Manager Analytics Working Group
- Mortgage Licensing School Working Group
- Uniform Forms Working Group
- Money Services Businesses Call Report Working Group
- User Reports and Data Download Working Group

Membership of the SRR Board of Managers, NMLS Policy Committee, MTEB, IAC, SRR Lawyers Committee, RDWG, IDWG and the 2015 Ad Hoc Working Groups can be found in **Appendix F**.

## ➤ APPENDIX B: SAFE ACT

### OVERVIEW

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

### CONSUMER FINANCIAL PROTECTION BUREAU

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

### STATE SAFE ACT REQUIREMENTS AND COMPLIANCE

The SAFE Act requires state-licensed MLOs to pass a written qualified test, complete pre-licensure education courses, and take annual continuing education courses. The SAFE Act also requires registered and licensed MLOs to submit fingerprints in 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. CFPB must determine that each state's MLO licensing standards meet the federally mandated minimums and that the state is participating in NMLS.

Under additional rule making (amending Regulation Z) from the CFPB, effective January 2, 2014, new federally registered MLOs were also required to meet financial responsibility standards, complete annual training, and meet the same standards for criminal background checks as state-licensed MLOs.

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

The implementing federal rules under the SAFE Act, Regulations G and H, clarify and expand upon the SAFE Act provisions, and CFPB will base its determination of state compliance on the language contained rules. The rules stipulate that a supervisory authority that is accredited under the CSBS/AARMR Mortgage Accreditation Program will be presumed by CFPB to be compliant with required performance standards. The following state agencies have been accredited under the mortgage accreditation program: Hawaii, Idaho, Iowa, Kentucky, Louisiana, Massachusetts, Mississippi, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma Department of Consumer Credit, Pennsylvania, Tennessee, Texas Department of Saving and Mortgage Lending, Texas Office of Consumer Credit Commissioner, Vermont, Virginia, Washington, and Wyoming.



## NMLS SAFE ACT REQUIREMENTS AND COMPLIANCE

In addition to requiring state laws and regulations to meet certain minimum requirements, the SAFE Act contained specific mandates for NMLS. Those mandates are generally reflected in other sections of this report. They include:

- Establishing protocols for the issuance of NMLS Unique Identifiers
- Receiving and processing of fingerprints for federal criminal history background checks for all MLOs
- Developing and administering a qualified written test
- Reviewing and approving pre-licensure and continuing education courses
- Providing public access to licensing information on all residential mortgage licensed loan originators
- Developing and implementing the NMLS Mortgage Call Report
- Making publicly adjudicated disciplinary and enforcement actions available to the public. State actions started being posted in 2012, and in 2013, self-reported disciplinary actions for federally registered MLOs were able to be displayed in NMLS Consumer Access. As of year-end 2014, 45 state agencies had posted more than 7,700 public regulatory actions and federally registered MLOs had reported over 1,100 actions.

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## ➤ APPENDIX C: NMLS UNIQUE IDENTIFIER

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



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

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

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



## ➔ APPENDIX D: NMLS FEES

### SYSTEM FEES

To fulfill SAFE Act obligations, NMLS charges various fees for services provided. NMLS fees are paid for, in the majority of cases, by the licensed entity or, in some instances, by the state.

A summary of NMLS fees for entities by type includes:

- NMLS processing fees for company, branch and MLO licenses and registrations managed in the System
- Test fees for the national and state test components
- Education fees related to the:
  - + banking of course hours taken by licensed MLOs
  - + approval and renewal of course providers and pre-licensure and continuing education courses
- Criminal background check fee for the collection of fingerprints and distribution of the FBI's criminal history record information to authorized recipients
- Credit report fee for the pulling of single-bureau report for use by state regulators.
- Two-factor subscription fee for the provision of dual factor authentication of all institution users who have access to more than one MLO's personal identifying information
- Uniform Authorized Agent Reporting (UAAR) functionality user fees
- Merger and Acquisition fees for Registration

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

Additionally, SRR has developed a subscription service that provides a subset of the data available in NMLS Consumer Access in a B2B format. The subscription service is available to organizations seeking to use the data to meet the purposes of the SAFE Act, such as confirming license status, verifying information, and preventing fraud. The subscription service is not available for solicitation or marketing purposes.

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

### NMLS PROCESSING FEES

NMLS users pay various processing fees as listed below. These fees are unchanged since the System launched in January 2008 despite continual development to improve and expand system functionality.

- **Initial Set-up Fee.** This fee is incurred each time a company, institution, branch, or individual loan originator uses NMLS to apply for a new license or new registration in a participating state. The Initial Set-up Fee is a "per agency/per license." fee. For state licensed applicants, the initial set-up fee is "per state/per license." The initial set-up fee is not charged for license authorities that do not include the ability to originate, fund, or service mortgages.
- **Annual Processing Fee.** Charged annually at the time of renewal when a company, institution, branch, or individual loan originator, renews a license or registration. For state licensees, the annual processing fee is a "per state/per license" fee.
- **MLO Change of Sponsorship Fee.** Charged each time NMLS processes a company's request to have an MLO's license affiliated with that company. The Mortgage Loan Originator Change of Sponsorship Fee is a "per state/per license" fee.
- **MLO Change of Employment Fee.** Charged each time an institution requests to have a registered MLO associated with their institution.
- **Reactivation Fee.** Charged when a federal MLO's registration status is changed from inactive to active. This active registration status is maintained through the end of the calendar year the reactivation request occurs in.

## NMLS TESTING AND EDUCATION FEES

NMLS test fees are payable by an individual who is enrolling to take the SAFE MLO National Test with Uniform State Content and State Test Components or by the company that may be enrolling its MLOs for the test components.

- National Test with Uniform State Content: \$110 (contains 125 questions with an appointment time of 225 minutes)
- Each Unique State Component: \$69 (contains 55-65 questions with an appointment time 120 minutes)

Fees are charged for the approval and renewal of education courses and course providers, and each NMLS-approved course provider is charged a “credit banking fee” of \$1.50 per course hour taken by an MLO. “Credit banking” is the process where the course provider records a candidate’s or licensee’s SAFE Act required education hours 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 is attached to the MLOs NMLS record and is viewable by the state regulator who issues the MLO a license or by the employing institution for registered MLOs. Fees associated with a criminal background check are as follows:

- Live Scan (electronic). \$36.25
- Paper Card Capture (if Live Scan is not selected). \$46.25

## NMLS CREDIT REPORT FEES

NMLS provides state-licensed MLOs, qualifying individuals, branch managers, or control persons the ability to provide a single credit report and score to the state(s) where the individual is filing an application. The functionality provided in the System enables an individual to use that same credit report for subsequent licensure requests for up to 30 days and does not negatively impact his or her credit score. The fee associated with a credit report and credit score is \$15.

## NMLS TWO FACTOR AUTHENTICATION FEES

In order to satisfy federal requirements for online government services, NMLS uses a two-factor authentication system (Verisign security token) for all NMLS Federal Registry institution users and state agency users who have access to more than one MLO’s personal identifying information. The \$55 annual subscription fee is charged to each institution user or state agency user to cover the cost of this service. It is a “per user/per year” fee.

## UNIFORM AUTHORIZED AGENT REPORTING FEES

The UAAR functionality allows licensees to meet Authorized Agent reporting requirements for multiple states directly through NMLS using a single file, a uniform set of information and a uniform process. Fees associated with the Uniform Authorized Agent Functionality are based on an annual per agent fee as follows:

- Per Active Agent: \$0.25.
- Capped at \$25,000 per licensee.

No licensee will pay an annual processing fee on the first 100 active agents. If a licensee has 100 agents or less, they pay no fee.

## MERGER AND ACQUISITION FEES FOR REGISTRATION

There are two fees for processing mergers and acquisitions in NMLS:

- M&A Batch Upload base processing fee: \$750 Standard fee paid by acquiring institution at initiation of MLO transfer
- MLO transfer fee for each record successfully processed: \$10 per MLO fee for each MLO to be transferred from acquired institution, paid by acquiring institution

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

## ➤ APPENDIX E: NMLS 2015 DEVELOPMENT SCHEDULE AND FEATURES

DATE:	PRIMARY FEATURES
<b>01/26/2015</b> <b>(2015.1 Release)</b>	<ul style="list-style-type: none"><li>• Books and Records – Shared Location</li><li>• Industry Dashboard – Test Enrollments</li><li>• Mortgage Call Report (MCR) Updates</li></ul>
<b>04/20/2015</b> <b>(2015.2 Release)</b>	<ul style="list-style-type: none"><li>• Comparison of Filing Data against Non-Filing Events</li><li>• Enhanced Redline Display for Advance Change Notices</li><li>• Regulator Work List Enhancements:<ul style="list-style-type: none"><li>+ Merge Advance Change Notice List and Regulator Work List</li><li>+ My Work List and Revamped Work List Assignment Page</li><li>+ Work List Assignment at the Review Item Level</li></ul></li><li>• Remove State and Federal Wall for Regulatory Agencies</li><li>• Role-Based Two Factor Authentication</li></ul>
<b>07/20/2015</b> <b>(2015.3 Release)</b>	<ul style="list-style-type: none"><li>• Improved Web Browser Compatibility</li><li>• UAAR Usability Enhancements</li></ul>
<b>10/05/2015</b> <b>(2015.4 Release)</b>	<ul style="list-style-type: none"><li>• Company Document Upload Usability Enhancements</li><li>• Industry Dashboard – ACNs and Renewals</li><li>• Renewal Enhancements</li></ul>

### PLANNED FUTURE ROADMAP ENHANCEMENTS

- Features:**
- CBC for Control Persons
  - Electronic Surety Bond Tracking
  - Expansion of NMLS Data Services and Analytics
  - Federal Agency Regulatory Actions
  - Individual Document Upload
  - Money Services Businesses (MSB) Annual/Call Report - Phase 1
  - Next Generation Identification Program – Rap Back Service
  - PE Expiration

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## ➔ APPENDIX F: COMMITTEE AND WORKING GROUP ROSTERS

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Consumer Access		Mortgage Licensing School	
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Document Upload		Risk Profile	
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Examination Management System		Surety Bond	
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