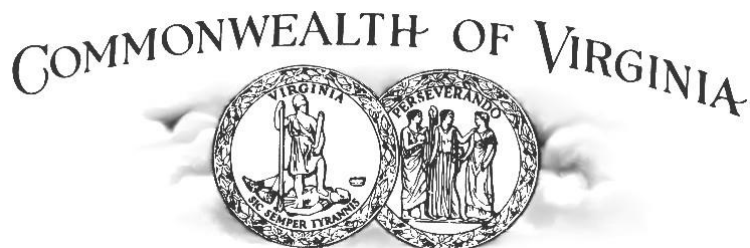


E. J. FACE, JR.
COMMISSIONER OF
FINANCIAL INSTITUTIONS



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

**STATE CORPORATION COMMISSION
BUREAU OF FINANCIAL INSTITUTIONS**

June 19, 2018

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.", written in a cursive style.

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 19, 2018

TABLE OF CONTENTS

EXECUTIVE SUMMARY ii

INTRODUCTION 1

BACKGROUND 1

NOTABLE ACTIVITY IN 2017 2

AUDITED FINANCIAL STATEMENTS AND BUDGET 4

NATIONWIDE MORTGAGE LICENSING SYSTEM AND REGISTRY FEES 5

SECURING AND SAFEGUARDING INFORMATION 6

TESTING AND EDUCATION 7

LOOKING AHEAD 8

SUMMARY 9

ATTACHMENTS

2017 Annual Report—State Regulatory Registry LLC
2017 Audited Financial Statement

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 ("Commission") to:

- annually review the proposed budget, fees, and audited financial statements of the State Regulatory Registry LLC ("SRR");
- 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;
- 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; and
- 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 2017 operations of SRR and the Nationwide Mortgage Licensing System and Registry ("NMLS").

SRR is a non-profit subsidiary of the Conference of State Bank Supervisors ("CSBS") that operates the NMLS on behalf of state financial services regulatory agencies and carries out mortgage loan originator testing and education requirements under the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("SAFE Act"). NMLS is the system of record for non-depository financial services licensing or registration, including the licensure of mortgage companies, in participating state agencies, the District of Columbia, and the U.S. territories of Puerto Rico, Virgin Islands, and Guam. As of December 31, 2017, SRR reported audited total assets of \$137.7 million and net income of \$17.3 million. The certified public accounting firm of Tate & Tryon issued a "Clean" or Unqualified Opinion of SRR, and the financial statements and budgets appear to accurate and reasonable. The Bureau does not take issue with the disclosures therein.

Approximately 53,000 mortgage loan originator ("MLO") test components were administered in 2017. At the end of 2017, NMLS was the system of record for 62 state and territorial agencies, managing a total of 442 different license authorities covering a broad range of non-depository financial services. Virginia had 4,414 individuals apply to be licensed in Virginia after taking and passing the National Test with the Universal State Test ("UST") and 3,645 of those individuals were approved. SRR did not experience any material issues related to NMLS security, privacy, or information breach in 2017. In addition, SRR was not subject to any significant litigation in 2017.

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 2008 in response to the increased volume and variety of residential MLOs. SRR was formed in 2006 and is a non-profit corporation based in Washington, D.C. SRR is a wholly owned subsidiary of the CSBS, and it owns and operates NMLS. SRR is directed by a board of managers consisting of state regulators.

NMLS is a Web-based application which enables mortgage lenders, mortgage brokers, MLOs, and other various non-depository entities 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 ("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. NMLS serves as the vehicle for scheduling testing and education and maintaining all state-licensed MLO test and course completion records.

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*, the SAFE Act, mandates that all MLOs either be federally registered or state-licensed through NMLS. As of December 31, 2017, Virginia had 14,545 MLOs in the approved status and 2,123 MLOs in the approved-inactive status through NMLS, as well as 184 mortgage lenders, 369 mortgage brokers and 254 companies with both lender and broker authority approved and licensed in Virginia.

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"). 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 2017

At the end of 2017, 62 state and territorial agencies were using NMLS. Fifty-nine of those agencies use NMLS for mortgage licensing, while 43 agencies use NMLS to manage licensing for other non-depository entities (e.g., money service businesses and consumer finance).

Among the NMLS highlights in 2017, a growing number of state agencies continue to adopt the NMLS UST. MLOs seeking licensure in those jurisdictions are no longer required to take a second state-specific test.

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 2017, the state and federal resource centers had over 1.8 million unique visitors who viewed over 3.4 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 484,195 calls in 2017, an increase of 4.3% from 2016, and responded to an average of 1,921 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 2017, 2.9 million visitors had viewed almost 96.5 million pages on the NMLS Consumer Access website.

Other notable events in 2017 were:

- The Learning Management System, which is used to store, deliver, and track the history of training sessions for individual users continued to grow. More users are now active in the system, increasing from 11,100 users in 2016 to 13,000 in 2017.
- Approximately 53,000 MLO test components were administered. In addition, SRR supervised 117 approved course providers who delivered over 2.5 million hours of education through more than 1,600 NMLS-approved courses.
- The 9th Annual NMLS Conference and Training was held in Austin, Texas, and had over 590 attendees, including 169 regulators from 62 state and territorial agencies.

The agenda included sessions relevant to all NMLS users, as well as special sessions relevant to mortgage, money services business, and consumer finance industries.

- SRR selected a vendor to build NMLS 2.0 on a business process management platform, and development began. The modernized NMLS is being built based on experience and input from state regulators and industry users, led by those who continue to participate in robust stakeholder engagement effort.
- SRR signed a memorandum of understanding with the Federal Trade Commission (FTC). The FTC will use NMLS data for research and analysis in performing their duties related to consumer protection. The FTC also will share information with NMLS concerning their own enforcement actions against entities and individuals on NMLS.

Additional NMLS highlights in 2017 include NMLS expansion, enhanced functionality of electronic surety bonds, deployment of the Money Services Businesses Call Reports and 100 new on-line training courses.

AUDITED FINANCIAL STATEMENTS AND BUDGET

As of December 31, 2017, SRR reported audited total assets of \$137.7 million (compared to \$119 million at the end of 2016), owner's equity of \$130.8 million (compared to \$113.5 million at the end of 2016), and net income of \$17.3 million (compared to \$18.4 million for 2016). The CPA firm of Tate & Tryon, Washington, D.C., prepared the Audited Consolidated Financial Statements for the Conference of State Bank Supervisors, Inc. and Affiliates, including SRR. Tate & Tryon also prepared the Audited Financial Statements for SRR. 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 Financial Statements for SRR, it is noted that the development of NMLS and its update releases are performed by the Financial Industry Regulatory Authority, Inc. ("FINRA"). FINRA also is contracted to provide development support for NMLS education and testing components. Given the scope of the FINRA services

contract, a disruption in the capabilities provided by FINRA could have a detrimental impact on SRR.

NATIONWIDE MORTGAGE LICENSING SYSTEM AND REGISTRY FEES

In order to fulfill SAFE Act obligations, NMLS charges various fees for the services provided. NMLS fees are typically paid 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 the SRR Board of Managers has under consideration for change.

The basic fees for state licensure are for (1) initial set-up fee; (2) annual processing fee; (3) MLO change of sponsorship fee; (4) a MLO’s change of employment fee; and (5) a reactivation fee (charged when a federal MLO registration status changes from inactive to active). As indicated below by the SRR 2017 Annual Report, certain fees are unchanged since NMLS launched in 2008.

Entity	Initial Set-up Fee	Annual Processing Fee	MLO Change of Sponsorship
Company	\$100	\$100	\$30
Branch	20	20	n/a
Individual or MLO	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, are as follows:

- National component 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 of two hours).

The NMLS also charges criminal background check fees, credit report fees, and NMLS two-factor authentication fees. 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 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 2017, over 130,000 authorizations for credit reports and over 260,000 requests for criminal background checks were submitted to NMLS.

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 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.

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 criminal background check results, credit reports, federal registry information, or account administrator rights. The fee associated with the two-factor authentication is a \$55 "per user/per year subscription" fee.

SECURING AND SAFEGUARDING INFORMATION

NMLS 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 CFPB. The Federal 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, 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 regularly monitors the performance of the SAFE Act 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 53,000 test components were administered in 2017 at more than 270 test centers throughout the United States. The following chart provides National Test with Uniform State Content data from January 1, 2016 through December 31, 2017.

National Test with Uniform State Content Pass Rates by Attempt January 1, 2016 through December 31, 2017			
	Tests Taken	Tests Passed	Pass Rate %
First Time	64,573	38,590	60
Subsequent Attempts	26,643	11,508	43
Overall	91,216	50,098	55

In 2017, over 140,000 state-licensed MLOs and MLO applicants completed more than 2.5 million hours of education. Sixty-six percent of MLOs completed their annual continuing education online, an increase of 1% from 2016. At the end of 2017, there were 117 NMLS-approved course providers, five more than at the end of 2016.

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 services regulators. Agency personnel spend time leading and participating on boards, committees, and *ad hoc* working groups, contributing their expertise to making NMLS an effective regulatory tool. SRR also benefits from industry input and participation in various user groups.

All aspects of NMLS development and enhancements are accomplished through the efforts of various working groups, task forces, and committees made up of state regulator and industry experts. A successful release implementation for NMLS depends upon the continued involvement and valuable feedback from these experts. NMLS deployed three major releases and seven maintenance releases in 2017. The following enhancements during 2017 as well as some of the major ongoing development work efforts, include the following: NMLS 2.0, Money Services Businesses Call Report, enhanced electronic surety Bond functionality, and improved system usability.

Looking ahead, 2018 includes significant financial investments in technology with the development of NMLS 2.0, with new and enhanced system functionality. Additionally, the use of NMLS will continue to expand by additional state agencies with oversight of financial service 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 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.

SUMMARY

NMLS launched on January 2, 2008, and the Bureau began utilizing NMLS on August 3, 2009. As of December 31, 2017, SRR reported audited total assets of \$137.7 million and net income of \$17.3 million. The CPA firm of Tate & Tryon issued a “Clean” or Unqualified Opinion of SRR, and financial statements and budgets appear to be accurate and reasonable. 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 2017. Approximately 53,000 MLO test components were administered in 2017. Virginia had 4,414 individuals apply to be licensed in Virginia after taking and passing the National Test with the UST, and 3,645 of those individuals were approved.

2017 ANNUAL REPORT



TRANSFORMING SUPERVISION Engaging People/Investing in Technology



STATE REGULATORY REGISTRY LLC



Table of Contents

Letter from the SRR Board of Managers.....	2
2017 Highlights	4
Overview of NMLS	5
NMLS Modernization.....	11
State Examination System.....	15
NMLS Resources	17
NMLS Data Analytics	20
NMLS Policy	21
NMLS Development and Enhancements	23
Testing and Education.....	25
NMLS Legal and Administrative Issues	29
SRR Financial Perspective	30
Appendices	31
Appendix A: Organizational Governance.....	31
Appendix B: SAFE Act.....	34
Appendix C: NMLS Unique Identifier	36
Appendix D: NMLS Fees	36
Appendix E: NMLS 2017 Development Schedule and Features	39
Appendix F: Committee and Working Group Rosters	40
Appendix G: List of Charts and Figures	51



Letter from the SRR Board of Managers

The Board of Managers is pleased to present the 10th annual report of the of State Regulatory Registry LLC (SRR¹) and the Nationwide Multistate Licensing System's (NMLS[®] or the System) operations and performance in 2017.

The Board entered 2017 recognizing this year and 2018 would be transformative with the new version of NMLS (NMLS 2.0) on the horizon. As we approach a decade of operating the System on behalf of state and federal regulatory agencies, technology and data analytics have evolved. In addition, state agencies' needs for a system that eliminates burdensome, manual processes for license approvals, while offering a more risk-focused approach through data analytics and information sharing, has become critical.

The theme of this year's annual report, "*Transforming Supervision by Engaging People and Investing in Technology*," frames our focus on the most important elements for moving from where we are today to a more advanced system for managing licenses and examinations of licensed companies. This theme is reflected throughout this report as we highlight SRR strategic goals accomplished in 2017.

NMLS began in January 2008 as a voluntary state licensing system. In July of that year, use of NMLS 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. In 2012, NMLS expanded to support state licensing of non-depository financial services industries including money services businesses, consumer finance and debt.

At the end of 2017, 62 state agencies were using NMLS. Fifty-nine of those agencies use NMLS for mortgage licensing, while 43 agencies use NMLS to manage licensing for other non-depository entities (e.g., money

services businesses, consumer finance and debt). Use of NMLS continues to grow as more state agencies prepare to transition to the System in 2018 to manage the licenses of non-depository financial services.

With NMLS 2.0, SRR is rethinking and transforming the current System. This year, we selected a vendor to build NMLS 2.0 on a business process management platform. NMLS 2.0 will include process flows unique to a user's role, instead of following a one-size-fits-all model that characterizes the current System. In addition, NMLS 2.0 will have a risk-based focus with business rules and use data and analytics to allow state regulators to automate their processes where possible. Further, NMLS 2.0 is being built based on regulators' collective decisions to date. SRR will revise processes as needed.

SRR is also building NMLS 2.0 based on experience and input from state regulators and industry users. SRR has initiated a robust stakeholder engagement effort that will continue throughout the redesign initiative.

In addition to the modernization of the NMLS, development has begun on a complimentary supervision system known as the State Examination System (SES). SES will be a full-featured examination, enforcement, and investigation and complaints system housed within NMLS 2.0. Just as the original NMLS transformed the licensing function of state regulators, SES will transform the states agencies' supervision functions. SES will allow state agencies to share information, streamline supervision processes, and make better use of data for risk-focused supervision activities. In turn, the industry will experience greater consistency and reduced burden. Stakeholders in the development process include a diverse group of state regulators from all industries, as well as representatives from companies of these industries.

¹SRR is a wholly owned 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 by providing technology resources and information on a nationwide basis.

While SRR has a strong focus on NMLS 2.0, in 2017 we made notable enhancements to the current System, including implementation of the Money Services Businesses Call Report and new requirements for electronic surety bonds. SRR also continues to promote state adoption and use of the Uniform State Test (UST) in NMLS. All agencies, except two, have adopted use of the UST in NMLS.

SRR will return to New Orleans, Louisiana, February 6-9, 2018, for the 10th NMLS Annual Conference and Training. New Orleans is where we brought together regulators and industry for the first NMLS annual conference. NMLS has grown tremendously since

then. Our strategic commitment to rebuilding NMLS is consistent with "Vision 2020," a CSBS multi-year initiative to modernize state regulation of non-bank financial companies. Today, we are on the verge of introducing a more dynamic system – NMLS 2.0.

We look forward to 2018 as we continue to transform supervision by engaging people and investing in technology.

Sincerely,

The Board of Managers

State Regulatory Registry LLC

SRR BOARD OF MANAGERS

CHAIR

John P. Ducrest
Commissioner
Louisiana Office of Financial Institutions

VICE CHAIR

Charles G. Cooper
Commissioner
Texas Department of Banking

TREASURER

Kevin B. Hagler
Commissioner
Georgia Department of Banking & Finance

MEMBERS

Shirin Emami
Executive Deputy Superintendent for Banking
New York State Department of Financial Services

Tony Florence
Director of Mortgage Examination
Texas Department of Savings & Mortgage Lending

Gavin M. Gee
Director
Idaho Department of Finance

Bryan Schneider
Secretary
Illinois Department of Financial & Professional Regulation

Albert L. Forkner*
CSBS Chairman & Commissioner
Wyoming Division of Banking

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

William Matthews*
President and CEO
State Regulatory Registry LLC



FIGURE 1. SRR BOARD OF MANAGERS

* Non-voting ex-officio members of the Board



2017 Highlights

NMLS 2.0

In 2017, SRR selected a vendor to build NMLS 2.0 on a business process management platform, and development began. The modernized NMLS is being built based on experience and input from state regulators and industry users, led by those who continue to participate in our robust stakeholder engagement effort.

STATE EXAMINATION SYSTEM

Development of the State Examination System (SES) began in 2017. SES will be an end-to-end examination management system that supports supervision, complaint, investigation and enforcement activities for all non-depository financial entities, including but not limited to mortgage companies, money services businesses, consumer credit companies and debt collectors.

NMLS EXPANSION INDUSTRIES

By the end of 2017, 31 state agencies were managing one or more license authorities that could be categorized generally under “consumer finance” or others that regulate some aspect of consumer debt, such as debt collection, debt management, and counseling.

MONEY SERVICES BUSINESSES CALL REPORT

The Money Services Businesses (MSB) Call Report deployed in April 2017. This report has helped streamline MSB reporting, improve compliance with the industry, and create the only comprehensive database of nationwide MSB transaction activity. To date, 25 state agencies have adopted the MSB Call Report.

ELECTRONIC SURETY BONDS

NMLS functionality for electronic surety bonds (ESB) was enhanced in September 2017. With this system enhancement, surety companies and surety bond producers are now required to complete annual attestation regarding the accuracy of their profile, state authorizations and active associations information in NMLS.

REGULATOR AND INDUSTRY TRAINING

Learning and Development staff delivered a total of 33 webinars for regulators and industry. This includes 19 for industry, 13 for regulators, and one for internal staff for ESB. In addition, Learning and Development staff added more than 100 new courses to the existing inventory of online training.

NMLS ANNUAL CONFERENCE AND TRAINING

The 9th Annual NMLS Conference and Training was held in Austin, Texas. The event drew more than 590 attendees, including 169 regulators from 62 state and territorial agencies. The agenda included sessions for all NMLS users, as well as sessions designed for the mortgage, money services businesses, debt and consumer finance industries.

INFORMATION SHARING

In 2017, SRR signed a memorandum of understanding with the Federal Trade Commission (FTC). The FTC will use NMLS data for research and analysis in performing their duties related to consumer protection. The FTC also will also share information with NMLS concerning their own enforcement actions against entities and individuals on NMLS.

UNIFORM STATE TEST

A growing number of state agencies continued to adopt the NMLS Uniform State Test (UST). A total of 57 out of 59 state agencies are scheduled to be using the test by January 1, 2018. mortgage loan originators (MLOs) seeking licensure in those jurisdictions are no longer required to take a second, state-specific test.

TESTING AND EDUCATION

Approximately 53,000 MLO test components were administered in 2017. SRR staff also supervised 117 course providers who delivered over 2.5 million hours of education through more than 1,600 NMLS-approved courses.

Overview of NMLS



At the end of 2017, 62 state agencies¹ used NMLS. The system serves as the licensing system of record, managing a total of 442 different license authorities covering a broad range of non-depository financial services. This is up from 399 at the end of 2016. As of December 31, 2017, NMLS manages 374 company, 237 branch, and 81 individual distinct license or registration 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 those 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	2015		2016		2017	
	Entities	Licenses	Entities	Licenses	Entities	Licenses
Companies	20,440	47,688	20,785	51,107	22,811	59,265
Branches	26,655	56,402	28,362	64,078	31,324	74,104
MLOs	135,016	408,542	145,253	487,973	158,199	562,760

FIGURE 2. COUNT OF STATE ENTITIES AND LICENSES IN NMLS

Federally Registered	2015	2016	2017
Institutions	10,220	9,831	9,491
MLOs	407,529	422,579	421,743

FIGURE 3. COUNT OF FEDERAL ENTITIES IN NMLS

During 2017, 15 agencies added an additional 85 license types to NMLS. For a listing of these agencies, refer to the following box.

AGENCIES ADDED LICENSES IN 2017

- Alaska Division of Banking and Securities
- Arizona Department of Financial Institutions
- Connecticut Department of Banking
- District of Columbia Department of Insurance, Securities and Banking
- Iowa Division of Banking
- Louisiana Office of Financial Institutions
- Maryland Office of Financial Regulation
- Minnesota Department of Commerce
- Mississippi Department of Banking and Consumer Finance
- New Hampshire State Banking Department
- New York State Department of Financial Services
- Oregon Division of Finance and Corporate Securities
- Tennessee Department of Financial Institutions
- Vermont Department of Financial Regulation
- Wyoming Division of Banking

In addition to being a system of state licensing, NMLS operates a registry (known as “NMLS Federal Registry” or “Registry”) of federally regulated depository institutions and subsidiaries, and mortgage loan originators (MLOs) who are required by federal rule to register in NMLS prior to originating mortgages. Over the course of 2017, the number of these institutions and mortgage loan originators (MLOs) registered in NMLS essentially remained unchanged.

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 in the United States to originate mortgages². Since state agencies began expanding their use of NMLS to additional financial services

¹Colorado Division of Banking (CO-DOB) Money Transmitter Licensees who hold an active license on NMLS with another state agency are required to report their authorized agents/delegate through the Uniform Authorized Agent Reporting (UAAR). CO-DOB accessing this information in NMLS.

²Texas Office of Consumer Credit Commissioner is the only state agency that does not currently manage mortgage company licenses in NMLS.

industries, NMLS 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 2017, all states, the District of Columbia, Puerto Rico, Guam and the U.S. Virgin Islands continued their participation 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 agencies 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. The total number of companies with mortgage licenses increased by 3.8 percent during 2017, while the number of state mortgage licenses held by all companies went up 6.7 percent. Meanwhile, both the number of MLOs in the System and the number of licenses they held increased 9 percent. The average number of licenses held per MLO is now 3.56, compared to 3.36 at the end of 2016 (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 2017, the number of companies operating in more than 20 states grew 8 percent, and MLOs licensed in more than 20 states grew 26 percent. All segments for both individuals and companies grew during the year.

Figure 8 depicts the percentage of net growth in MLO licenses around the country. Arkansas, Georgia, New Jersey, Alaska and North Carolina experienced the greatest increase in MLO growth, respectively.

FEDERAL MORTGAGE REGISTRATION

Over the course of 2017, the number of actively registered MLOs remained relatively flat, with 421,743 individuals employed by 9,491 institutions (Figures 9 and 10). Although the total number of federally registered MLOs remained unchanged, the number

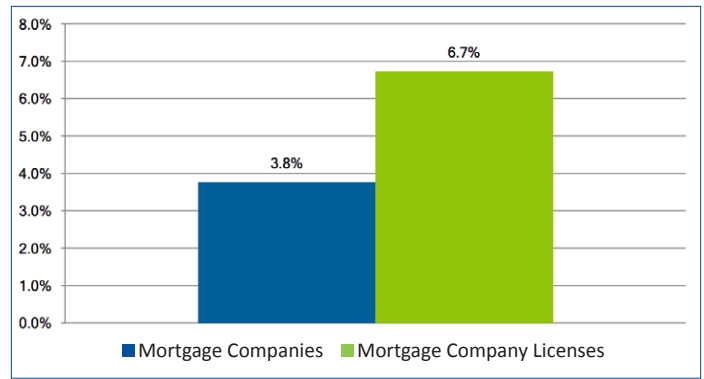


FIGURE 4. ANNUAL GROWTH - MORTGAGE COMPANIES VS. LICENSES

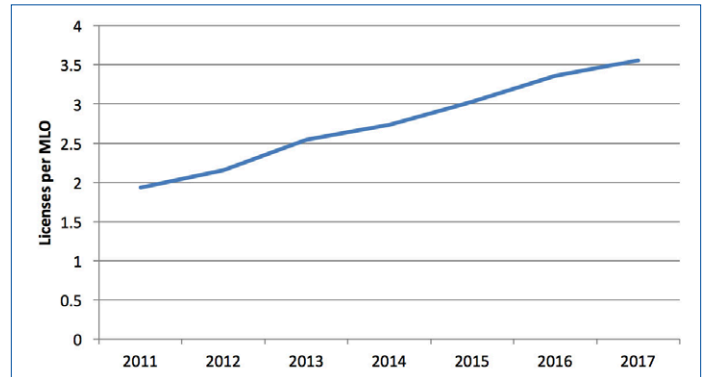


FIGURE 5. ANNUAL GROWTH - AVERAGE NUMBER OF LICENSES PER MLO

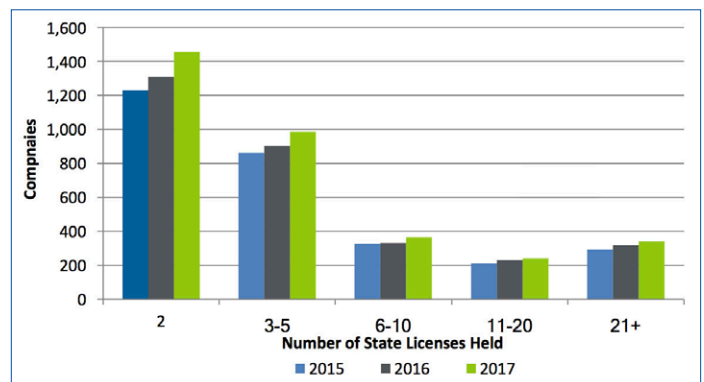


FIGURE 6. ANNUAL GROWTH - COMPANIES BY LICENSES HELD

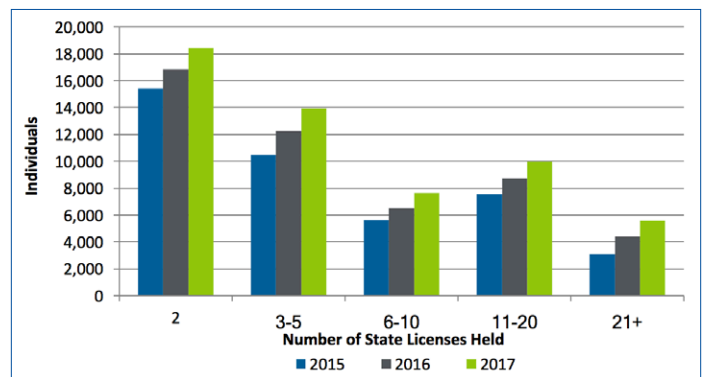


FIGURE 7. ANNUAL GROWTH - STATE INDIVIDUALS BY LICENSES HELD

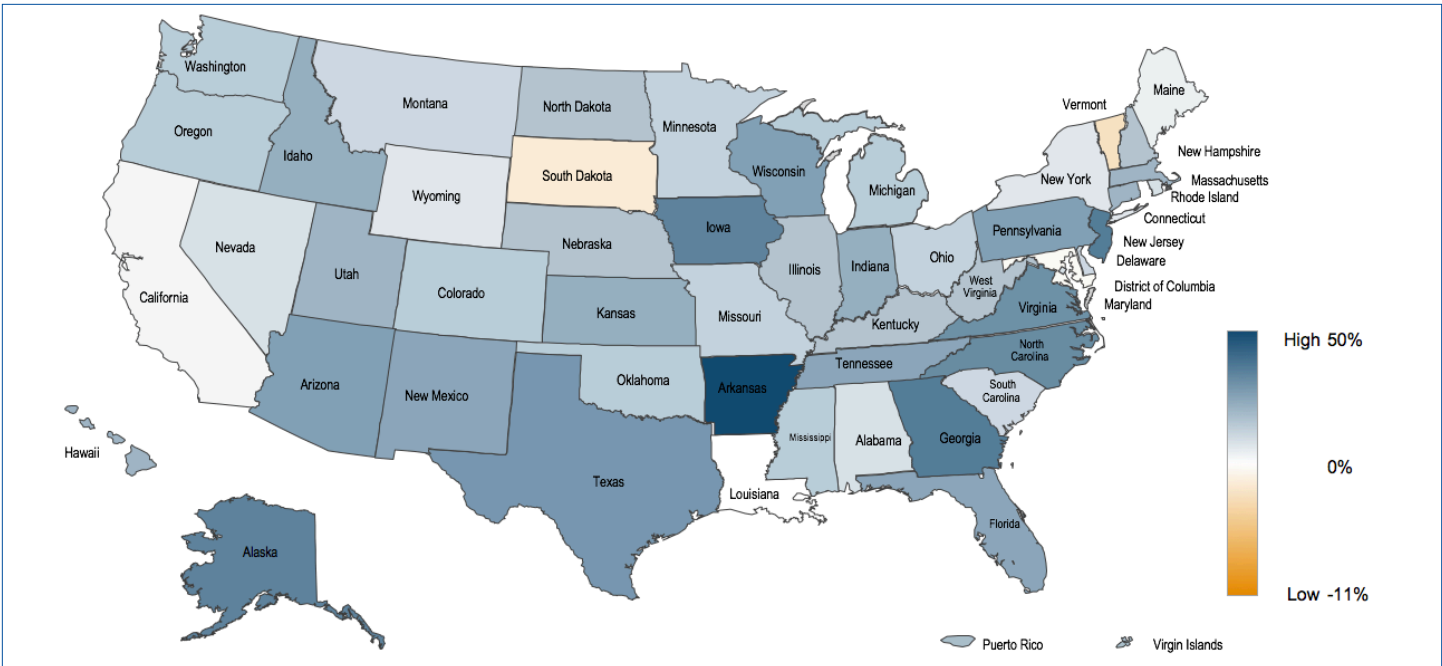


FIGURE 8. ANNUAL GROWTH - MLO LICENSES PER STATE

of institutions continued to decline more than 3 percent for the third year straight.

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).

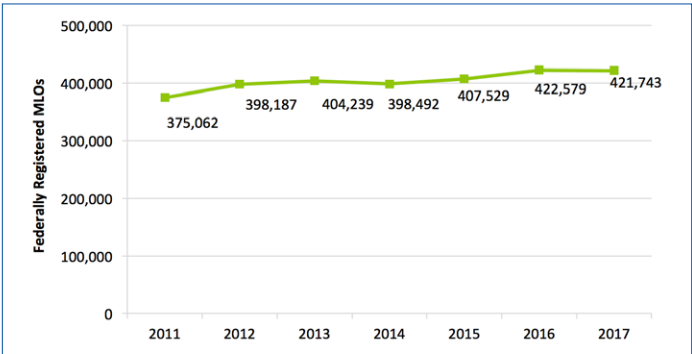


FIGURE 9. ACTIVELY REGISTERED FEDERAL MLOS BY YEAR

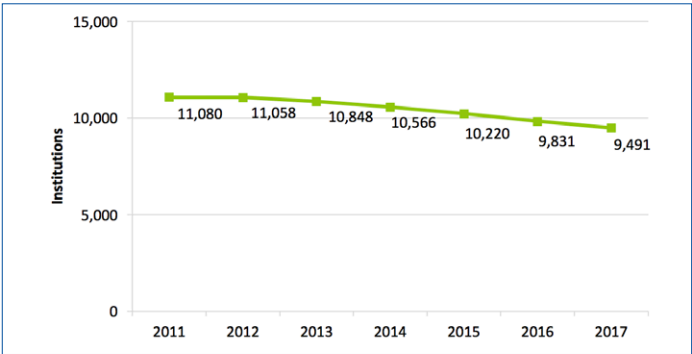


FIGURE 10. ACTIVELY REGISTERED INSTITUTIONS BY YEAR

MONEY TRANSMITTERS AND UNIFORM AUTHORIZED AGENT REPORTING

While Money Services Businesses include several activities as identified above, money transmitters are of particular interest to state regulators who use NMLS. By the end of 2017, 40 state agencies managed their money transmitter licenses in 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 agencies. At year-end 2017, 35 agencies were using the UAAR functionality.

- 373 companies hold a total of 3,762 state money transmitter licenses in NMLS*
- 49% of the companies are licensed in more than one state*
- 113 companies are licensed in more than 10 states*
- 200 companies report 337,787 Active Authorized Agent relationships in NMLS, and 123 report no agents used*
- NMLS contains 207,143 Active Agent Locations, with 63,839 used by multiple principals*
- 11 companies have uploaded over 5,000 agents*

*As of 9/30/2017

MONEY SERVICES BUSINESSES (MSB)

Adoption of NMLS for money services businesses (MSBs) licensing continued in 2017. As of year-end 2017, 39 agencies manage MSB licenses in NMLS (Figure 11). In NMLS, over 3,100 companies hold over 5,800 approved MSB licenses. 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.

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 2017, the NMLS UAAR, was adopted by five additional state agencies. The functionality permits money transmitter MSBs to complete authorized agent reporting directly in the System. In 2017, 18 states adopted the MSB Call Report.

OTHER INDUSTRIES IN NMLS

State agencies regulate a wide range of financial services and this diversity is reflected in NMLS. As of year-end 2017, 31 state agencies were managing one or more license authorities that could be categorized generally under “consumer finance” or others that regulate some aspect of consumer debt, such as debt collection, debt management, and counseling. 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). During 2017, nine state agencies began managing 34 additional consumer finance or debt license types in NMLS.

NMLS ACTIVITIES

NMLS processes a variety of transactions for system users. NMLS assists state agencies in supervising their licensed entities, enables licensees to apply for and maintain a license, and allows federally regulated depository institutions and subsidiaries to manage

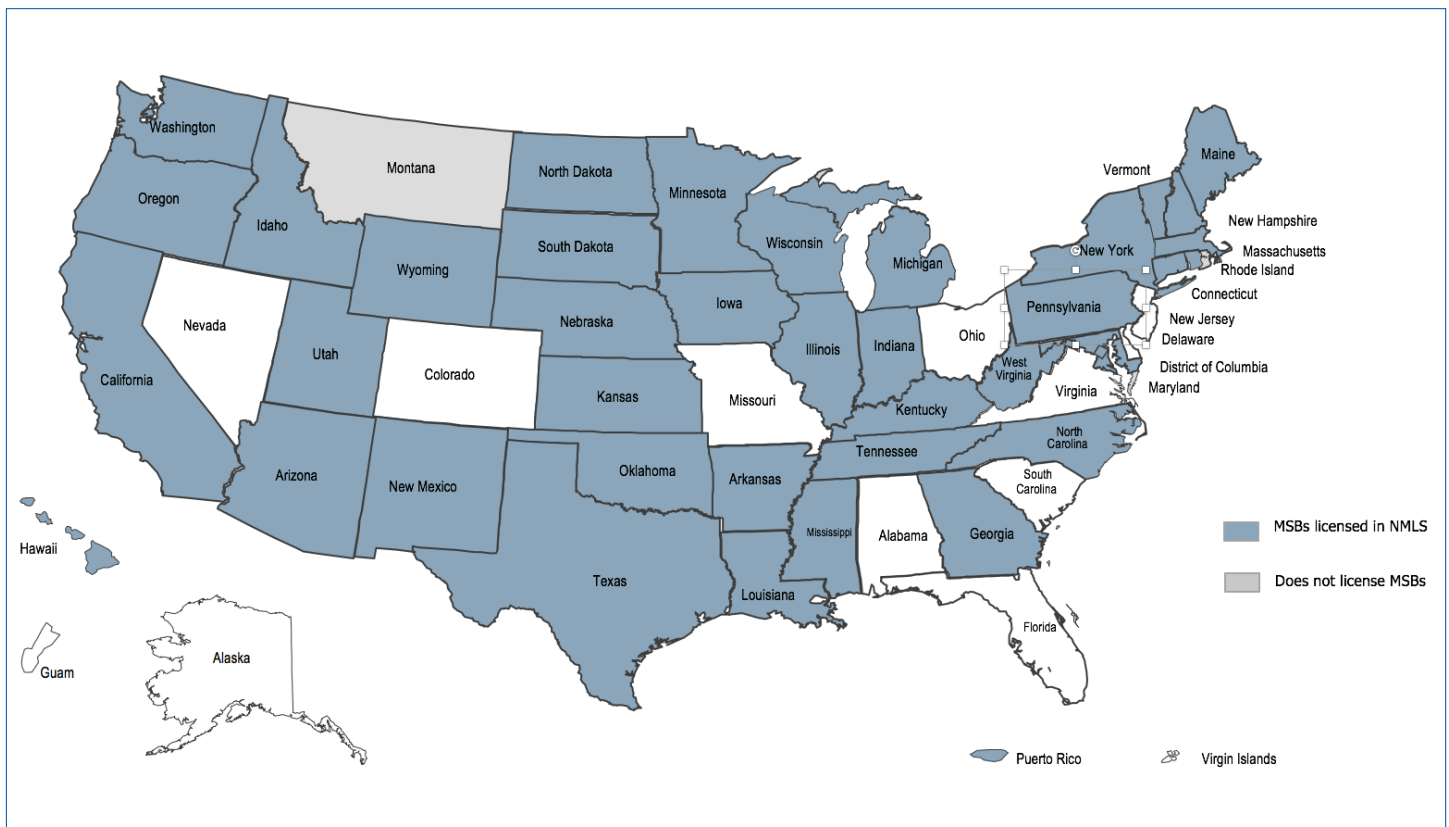


FIGURE 11. STATES MANAGING MSB LICENSE TYPES IN NMLS

MONEY SERVICES BUSINESSES LICENSE NUMBERS AND TYPES BY STATE

State Agency	License Description	Approved Licenses
AR	Money Transmitter License	91
AZ	Money Transmitter License	84
CA-DOC	Money Transmitter License	98
CT	Check Cashing License	62
CT	Money Transmission License	116
DC	Check Cashier License	43
DC	Money Transmitter License	106
GA	Check Cashier License	863
GA	Money Transmitter License	111
GA	Seller of Payment Instruments License	66
HI	Money Transmitter License	68
IA	Money Services License	115
ID	Money Transmitters	104
IL	Money Transmitter License	150
IN-DFI	Money Transmitter License	69
KS	Money Transmitter License	116
KY	Money Transmitter License	102
LA	Check Cashier License	28
LA	Sale of Checks and Money Transmitters	86
MA	Check Cashier	59
MA	Check Seller	22
MA	Foreign Transmittal Agency	63
MD	Check Cashing Services License	114
MD	Check Cashing Services Registration	4
MD	Money Transmitter License	120
ME	Money Transmitter License	75
MI	Money Transmitter License	108
MN	Currency Exchange License	22
MN	Currency Exchange Registration	5
MN	Money Transmitter License	115
MS	Money Transmitter License	109

State Agency	License Description	Approved Licenses
NC	Money Transmitter License	115
ND	Money Transmitter License	99
NE	Money Transmitter License	100
NH	Money Transmitter License	90
NM	Check Cashier License	13
NM	Currency Exchange License	1
NM	Money Transmission License	100
NY	Money Transmitter License	59
OK-DOB	Money Transmission License	94
OR	Money Transmitter License	122
PA	Check Cashier License	222
PA	Money Transmitter	102
PA	Retail Grocery Store Check Cashier License	99
PR	Money Transmitter License	48
RI	Check Cashier License	19
RI	Electronic Money Transfers	97
RI	Sales of Checks	33
SD	Money Lender License	118
SD	Money Transmitter License	93
TN	Money Transmitter License	125
TX-DOB	Money Transmitter License	103
UT-DFI	Money Transmitter License	101
VT	Check Cashing and Currency Exchange	4
VT	Money Transmitter	78
WA	Check Cashier	83
WA	Check Cashier with Small Loan Endorsement	24
WA	Currency Exchange (only)	6
WA	Money Transmitter (includes Currency Exchange)	162
WI	Seller of Checks	56
WV	Money Transmitter License	93
WY	Money Transmitter License	85

FIGURE 12. MSB LICENSE NUMBERS AND TYPES BY STATE

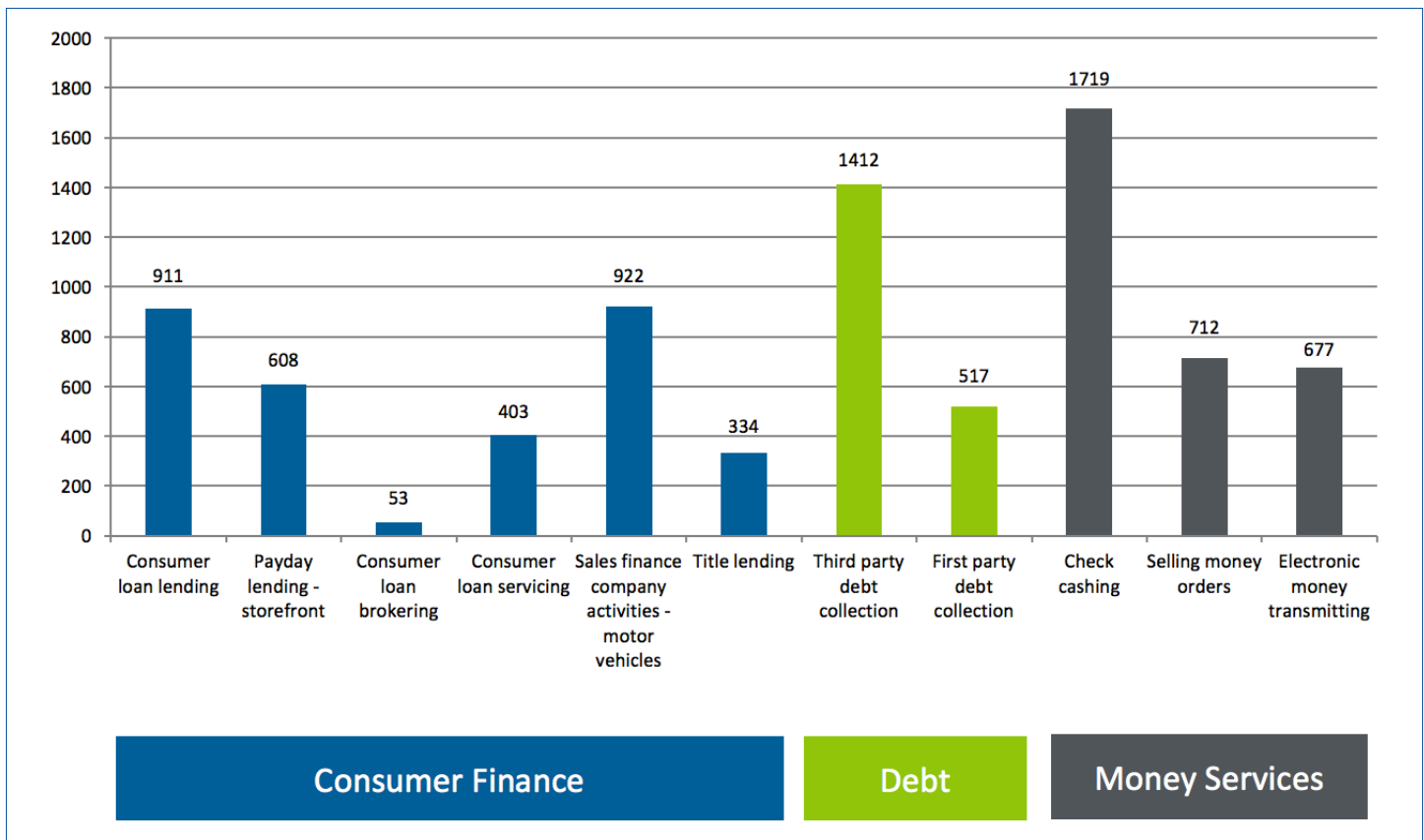


FIGURE 13. EXPANSION INDUSTRIES IN NMLS

their registered MLOs through a single system. The most common transactions performed through NMLS are new applications, amendments and renewals. NMLS serves as the vehicle for scheduling testing and education, and maintaining all state-licensed MLO test and course completion records. NMLS receives and processes requests for criminal background checks for state-licensed and federally registered

individuals and credit reports for state licensees. In addition, NMLS collects state fees from licensed entities and disburses such funds to the regulatory agencies. Figure 14 highlights the registration, licensing and professional standards activity that took place in NMLS over the past few years for licensed or registered companies, institutions, branches and MLOs.

State Licensing Activities	2014	2015	2016	2017
New Application Request	133,765	157,798	181,220	193,962
Renewal Request	365,998	431,681	492,593	555,283
Change of Sponsorship Request	57,003	57,532	62,746	89,827
Federal Registration Activities	2014	2015	2016	2017
New Registration Request	78,707	80,300	80,432	65,688
Renewal Request	374,512	386,635	385,109	406,278
Change of Employment Request	38,158	37,431	39,919	36,647
Professional Standards	2014	2015	2016	2017
Credit Report	110,006	110,533	125,368	130,242
Background Check	230,685	236,452	261,066	260,091
Test Enrollments	102,861	83,228	70,226	59,744
Education Hours	1,764,436	1,803,299	2,229,330	2,461,722

FIGURE 14. LICENSING, REGISTRATION AND PROFESSIONAL STANDARDS ACTIVITY

NMLS Modernization

NMLS 2.0 and the New State Examination System



Four years ago, SRR began researching improvements for NMLS and options to rebuild it. It had become clear that the underlying technology NMLS was built on was outdated, making the system cumbersome and limiting its ability to meet future supervision needs effectively.

In December 2014, the SRR Board of Managers authorized SRR to issue a Request for Proposal (RFP) for the overall modernization of NMLS, its current functionality as well as new functionality (“NMLS 2.0”). SRR staff worked with consultants to outline high-level requirements and system operating requirements for NMLS 2.0 throughout the spring and summer of 2015.

On September 15, 2015, SRR issued an RFP, with responses due by January 2016, for the re-visioning development on a new platform and operations for NMLS 2.0. The RFP received seven responses, which led to an internal evaluation process that included technical reviews, oral presentations and sandbox demonstrations of products.

SRR launched the Stakeholder Engagement and Governance Process for NMLS 2.0 in July 2016. The goal was to create a process that allowed SRR to receive broad input from regulatory and industry stakeholders, while challenging stakeholders to re-think their processes. A seven-member NMLS 2.0 Steering Committee (Appendix F) was appointed to guide the requirements development process and make recommendations on system functionality to the NMLS Policy

Committee. Existing and proposed functionality was categorized into Feature Areas and state regulator working groups (Figure 15) were identified to address detailed development decisions within each Feature Area.

The NMLS 2.0 Steering Committee and the NMLS Policy Committee created the [NMLS 2.0 Vision Statement and Guiding Principles](#) (Figure 16). These principles delineate the core concepts - many established and some new - that would guide detailed development decisions.

During their September 2016 meetings, the CSBS Board of Directors and SRR Board of Managers approved authorizing SRR staff to finalize negotiations with the remaining, prospective NMLS 2.0 vendors. In October 2016, the SRR Board of Managers approved shifting the modernization process to an intensive, agile approach with an introductory “Phase 0,” prior to final vendor selection.

In January 2017, Phase 0, which included the creation of 31 Personas and 55 Journey Maps (Figure 17), kicked off with the selection of one of the vendor finalists guiding the process. During this phase, SRR met with six large financial services entities at their place of business to understand how they use the current system. In addition, four in-person group meetings were held with 54 licensees, nine third-

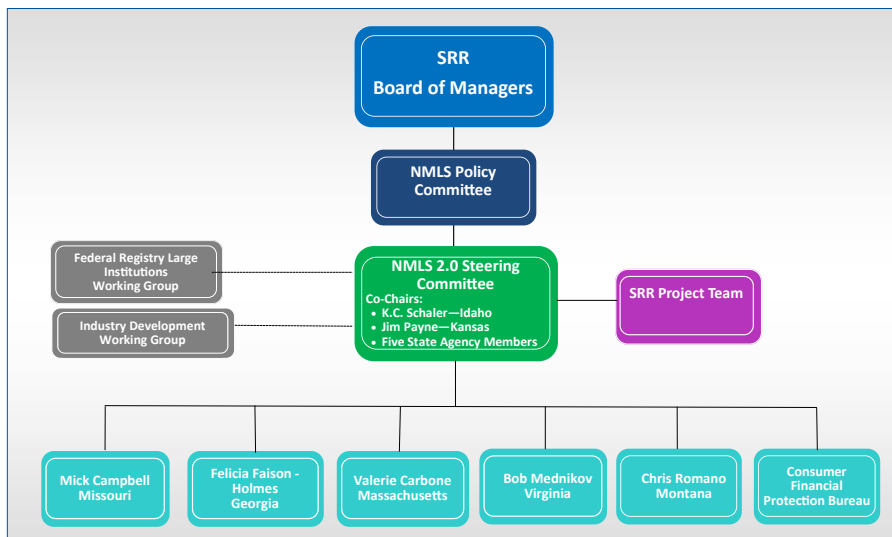


FIGURE 15. NMLS 2.0 GOVERNANCE

NMLS 2.0 GUIDING PRINCIPALS (PRINCIPAL TOPIC/GUIDING PRINCIPLE)

REAL TIME SYSTEM
NMLS 2.0 is a real time system that will show the current state of an entity's record.
UNIFORM DATA
NMLS 2.0 will provide an application/licensing platform containing uniform data, terms, and definitions.
DYNAMIC DISPLAY
NMLS 2.0 will present users with only information that is relevant to them based on their role (i.e. regulator, industry type, etc.).
ONE RECORD
Each distinct legal entity, branch, and natural person will have a single, unique record in NMLS. The entity's One Record in NMLS can be used to apply for, maintain, or surrender licenses in multiple states and will capture all data required in the supervision process.
COMMON FRAMEWORK
The System will enable uniform core policies/processes based on Common Framework best practices identified through the established governance process.
DATA VALIDITY
NMLS 2.0 will be built to promote data quality through accurate data input and will validate data where possible.
RECORD INFORMATION
The ability to create or modify record information will be limited to the entity with the right to control it.
LEGAL SYSTEM OF RECORD
NMLS is a legal system of record for agencies participating in NMLS.
NMLS UNIQUE ID
The NMLS Unique ID will be applied to only unique legal entities or a natural person.
AUTOMATE WHAT IS MANUAL AND ROUTINE
Manual and routine processes will be automated to the greatest manual and routine extent possible.
LEVERAGING DATA
NMLS 2.0 will leverage external data sources rather than recreating data when applicable.
DATA SECURITY
NMLS 2.0 will be built to best practices in data security and privacy protections.

FIGURE 16. NMLS 2.0 GUIDING PRINCIPLES

party compliance firms, and regulators from 13 states, as well as several sessions at the 2017 NMLS Annual Conference and Training. Phase 0 provided an opportunity for both vendor finalists to start work on initial requirements they could use to finalize their bids for development and operation of NMLS 2.0.

In April 2017, SRR awarded the NMLS Modernization contract to the winning vendor to build and operate NMLS 2.0 and the State Examination System (SES). The challenging task of rebuilding a system that started with seven state agencies and limited functionality, but grew over nine years to include 62 agencies and a robust set of functionality (i.e., criminal background checks, credit reporting, call reports and electronic surety bonds), had begun.

The NMLS 2.0 Steering Committee met weekly from June 2017 through the end of the year. The NMLS

NMLS 2.0 AND SES STAKEHOLDER ENGAGEMENT THROUGH YAMMER

NMLS 2.0 Yammer Groups
State Regulator Engagement: 115 active members
State Licensed Industry Engagement: 66 active members
Federal Registrants and Institutions Engagement: 13 active members*
69 percent of state agencies participating
66 distinct companies and institutions participating
There were 468 comments across 89 posts for the NMLS 2.0 Yammer groups
<i>*Due to internal institution policies, most federal registrants provide feedback via email</i>
SES
SES Regulator Engagement: 78 active members
SES Industry Engagement: 29 active members
48 percent of state agencies participating
23 different companies participating
<i>There were 135 comments across 46 posts for the SES Yammer Groups</i>

Policy Committee added an additional meeting per month. SRR created an [NMLS 2.0 website](http://new.nmls.org) (new.nmls.org) to communicate progress and invite participation in the NMLS 2.0 development process using an online engagement tool called Yammer. Yammer is a flexible, real-time way for NMLS stakeholders to review documents, ask questions and share thoughts on various aspects of NMLS 2.0 development.

Early results of sustained stakeholder engagement were evident at the 2017 American Association of Residential Mortgage Regulators Conference in August 2017 when SRR conducted a demonstration of the regulatory work process. In addition, a series of video demonstrations on a variety of topics were made available to industry stakeholders throughout the fall. Behind the scenes, work began on 23 interfaces across four environments and 20 different software components needed to support the launch of NMLS 2.0.

In June 2017, development of SES began. SES will be an end-to-end examination management system

that supports supervision, complaint investigation and enforcement activities for all non-depository financial entities, including but not limited to mortgage companies, money service businesses, consumer credit companies and debt collectors.

This timeline (Figure 18) represents the NMLS 2.0 and SES development and launch schedule as of December 2017.

Throughout 2017, SRR solicited input and feedback from state regulators, state licensed industry, and federal registrants and institutions to aid in the development cycle of NMLS 2.0 and SES. Engagement activities included Journey Map Reviews, participation in working groups, demonstrations (in-person and webinar), communications and the launch of the NMLS 2.0 website (Figure 19). More than 200 individuals became actively engaged with NMLS 2.0-related activities, while more than 100 individuals became actively engaged with SES-related activities.

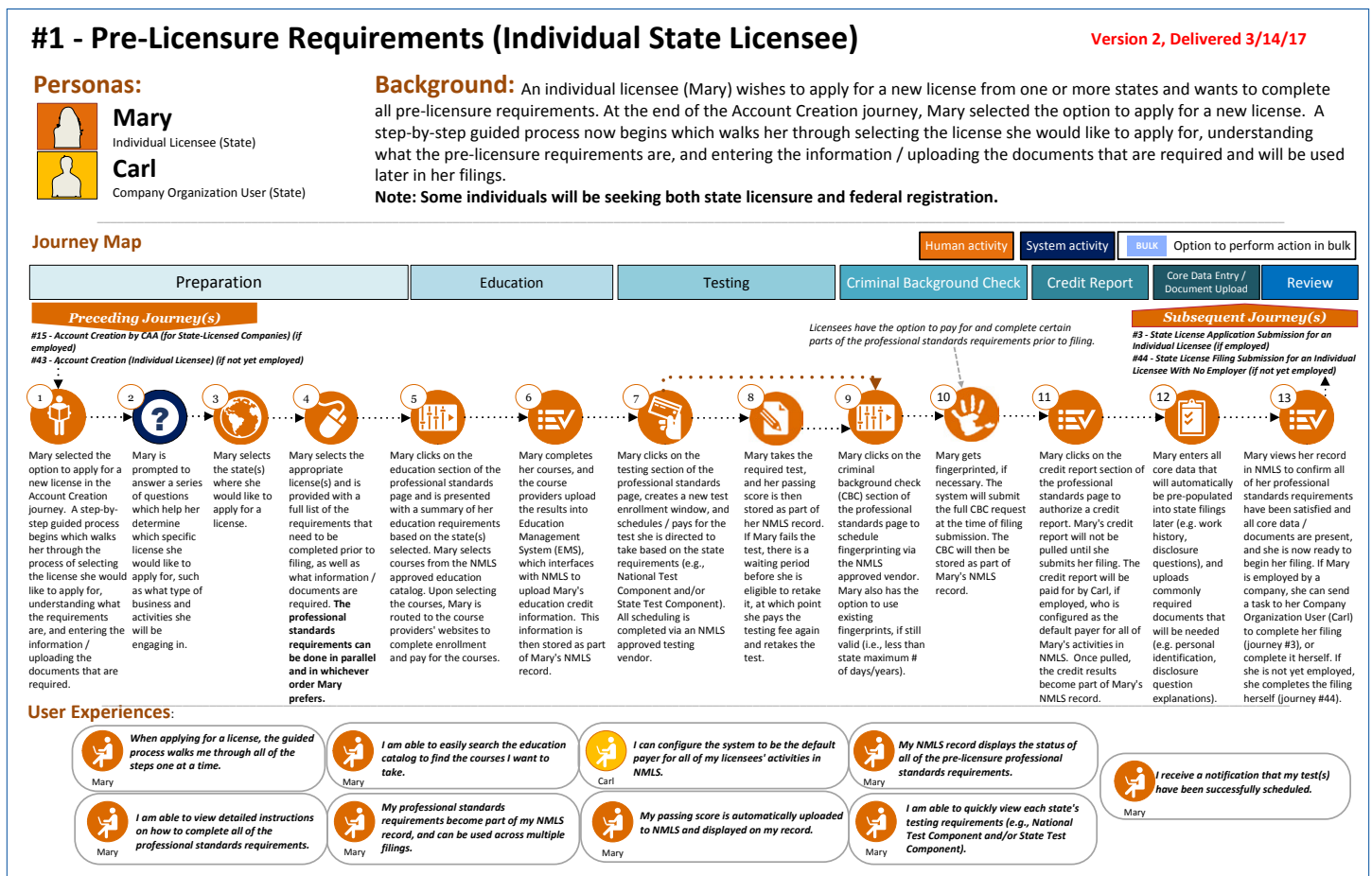


FIGURE 17. SAMPLE OF USER PERSONA JOURNEY MAP

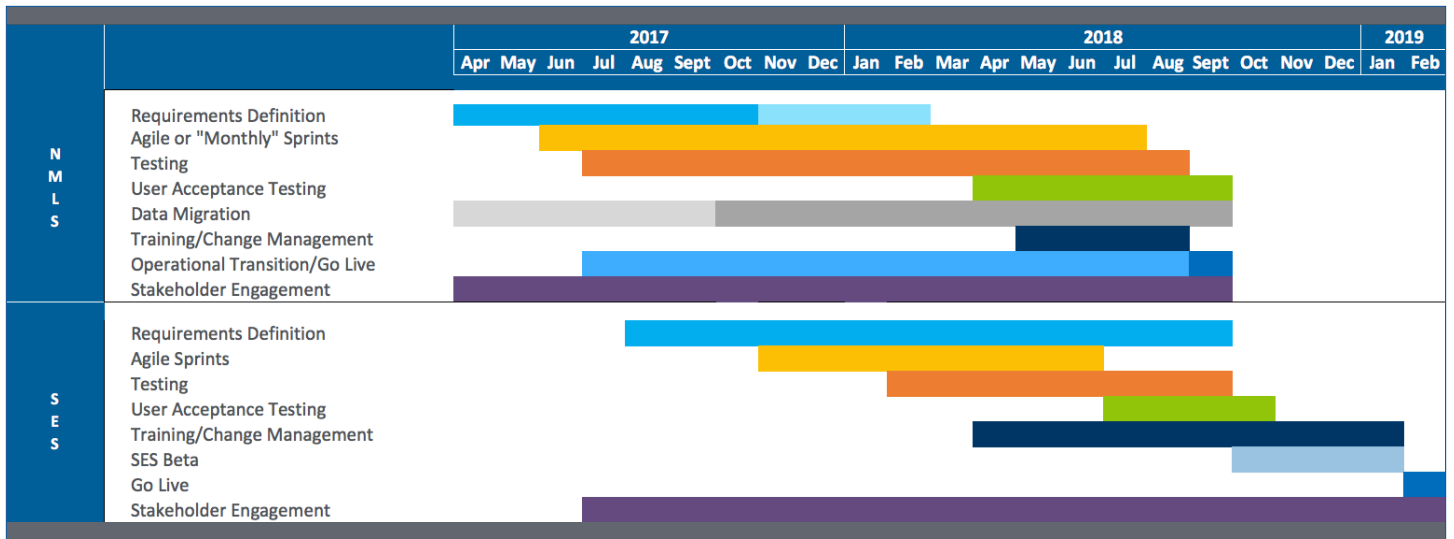


FIGURE 18. NMLS 2.0 AND SES DEVELOPMENT AND LAUNCH SCHEDULE

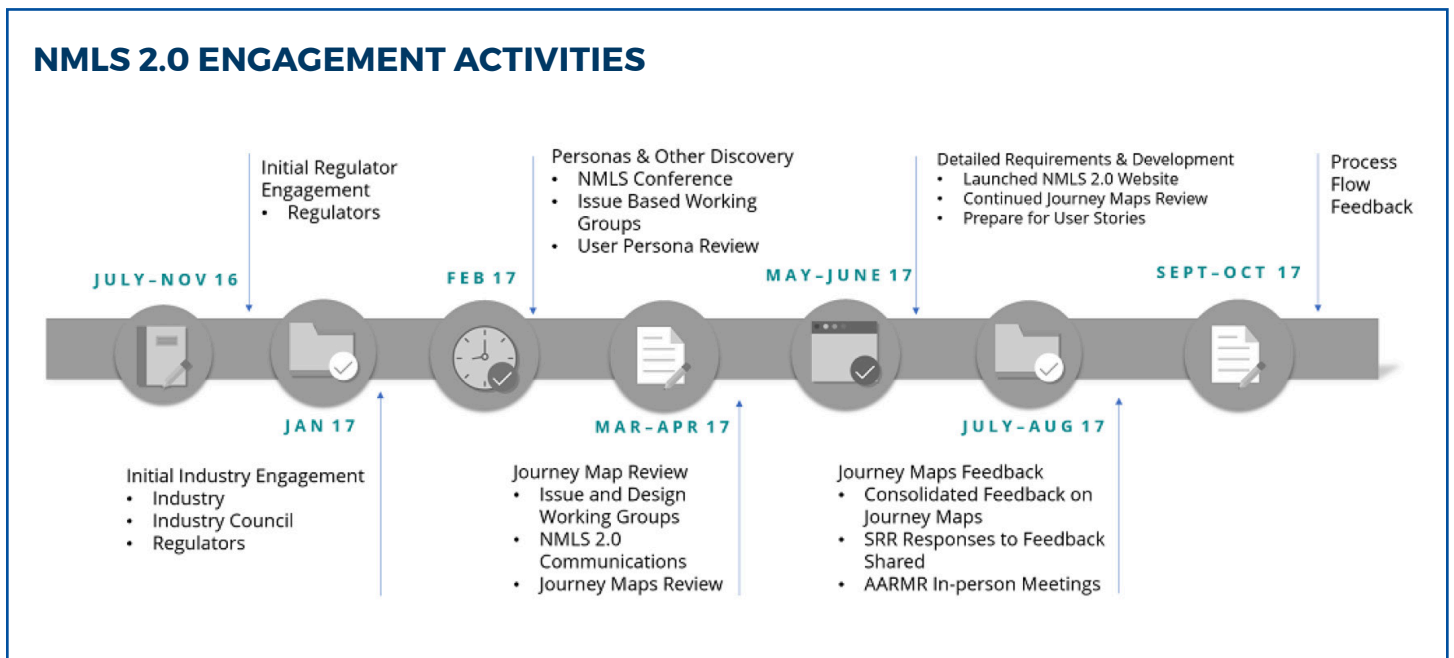


FIGURE 19. NMLS 2.0 ENGAGEMENT ACTIVITIES

State Examination System



As an extension of NMLS 2.0, SRR is working to develop the State Examination System (SES), a complimentary suite of functionality to support the supervision, enforcement, investigation and complaints processes for state regulators. SES will transform many of the supervisory processes state regulators use by focusing on information sharing, collaboration, risk-based analytics and best practices (Figure 20). With SES, states will have a powerful tool to carry out their supervisory missions and ensure the state charter and license remains the top choice for financial service providers nationwide.

Efforts to define requirements for SES began in 2015 with significant input from a group of regulator stakeholders. SES development began in 2017 and is projected to continue through 2018. State regulators and industry representatives will continue to play a key role by providing input throughout the development and testing phases of the new system. The first release of SES is expected to go live in early 2019.

INFORMATION SHARING

SES will allow state regulators to share certain supervisory information across state lines. For the first time, state regulators will be able to grant access to their scheduling plans, supervisory ratings, concerns, and other information with other authorized agencies as it relates to companies they supervise jointly. SES will be the first system of its kind nationwide to include an information sharing component. Today, state regulators rely on manual processes to manage information sharing requests. SES will allow state regulators to share relevant supervisory information in an automated, controlled manner. The benefit of automated information sharing is that state regulators will be able to make more informed decisions and be nimbler in allocating regulatory resources they assign to financial service providers under their jurisdiction.

COLLABORATION

SES will improve collaboration across state regulatory agencies and the companies they supervise. By interfacing with both state regulatory agencies and supervised companies, SES will enable efficient collaboration throughout the supervisory process - from pre-examination communications to exchanging information requested and delivering a final examination report. In addition, maintaining correspondence and supervisory information in SES will reduce redundancy and simplify cumbersome, paper-based processes used today. Further, using a single, secure system to exchange information will improve the overall security of the state regulatory process.

RISK-BASED ANALYTICS

SES will offer state regulators an impressive, uniform and nationwide set of data they can use to analyze macro and micro trends in the financial system. As a result, access to this data will improve state regulators' ability to respond to risk, tailor supervision programs across industries, and continually refine the supervision process through informed metrics.

BEST PRACTICE DEVELOPMENT

SES will foster the development of best practices across regulatory agencies. For example, if a state agency develops an innovative and effective approach to a supervisory challenge, the method can be shared quickly across other agencies. The uniformity and consistency SES offers will improve how regulatory agencies are viewed among companies they supervise.



STANDARDIZE

- Work Flow
- Business Rules
- Technology



COLLABORATE & SHARE

- Examiner to Examinee
- Agency to Agency
- State to Federal



OPTIMIZE

- Resources
- Processes
- Data Analytics



SAFEGUARD

- Confidentiality
- Data Integrity
- Regulatory Compliance

FIGURE 20. THE GOALS OF SES

NMLS Resources



NMLS RESOURCE CENTER

The [NMLS Resource Center](#) website serves as the gateway to NMLS. It provides NMLS users with state licensing and registration information, 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 registration process and System news.

In 2017, the two resource centers had over 1.8 million unique visitors who viewed over 3.4 million pages.

LIVE USER SUPPORT

Live user support provided by the [NMLS Call Center](#) and the Regulatory User Group is designed resolve immediate user needs, and identify and participate in the development of system and process improvements. The timely and complete resolution of immediate user needs is the priority for every interaction with industry or regulatory users. These interactions also provide a chance for support agents to identify user pain points, document those opportunities and participate in the development of solutions.

User interaction is documented within a client management database, which allows better understanding of user needs through data analysis, and allows the escalation and analysis of specific user pain points. Analysis of these interactions allows NMLS to better understand and act upon the following:

- User satisfaction with the call center's courtesy, knowledge and overall performance
- Usability of NMLS and the Resource Center
- Response times to user requests
- Training needs
- User acceptance of system enhancements, security upgrades and process changes

Call center representatives are trained in NMLS 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 NMLS 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 21, 22 and 23). The call center is funded through NMLS processing fees and operates at no additional charge to system users.

NMLS CALL CENTER 2017 ACTIVITY AT A GLANCE

Overall call volume at the NMLS Call Center increased 4.3 percent from 2016 to 2017 with a total of 484,195 calls. The call center responded to an average of 1,921 calls per day.

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

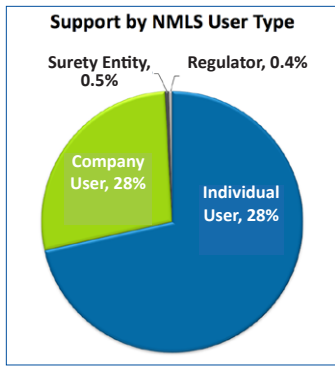


FIGURE 21. CALL VOLUME BY NMLS USER TYPE

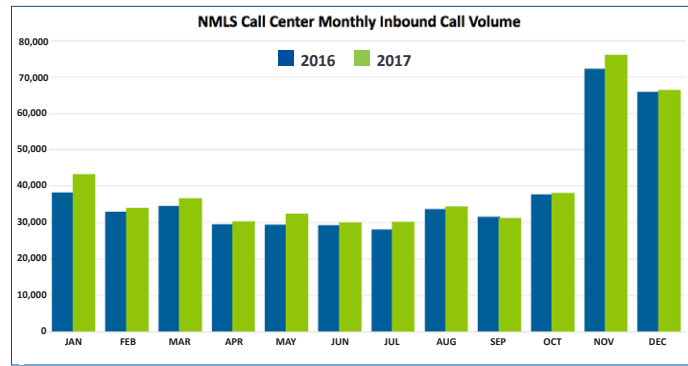


FIGURE 22. NMLS CALL CENTER MONTHLY INBOUND CALL VOLUME BY YEAR

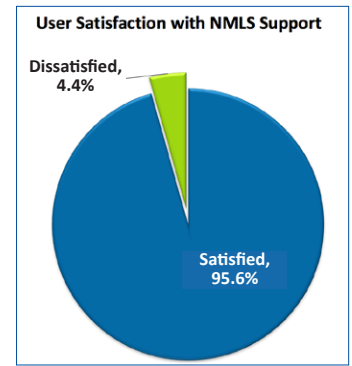


FIGURE 23. USER SATISFACTION

LEARNING AND DEVELOPMENT

In 2017, the Learning and Development Team continued to 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 CSBS Learning Management System (LMS), which is used to store, deliver and track the history of training sessions for individual users, continued to grow this past year. More users are now active in the system, increasing from 11,100 users in 2016 to 13,000 in 2017. Nearly 100 new courses were added to the existing inventory of live, recorded and eLearning courses, including on-demand learning opportunities such as new user training for all NMLS audiences and other specialized content recordings (Figures 24 and 25).

In 2017, as system enhancements helped expand the role of electronic surety bonds, new training courses were added to the NMLS Resource Center

and the LMS. As the number of resources available grew, the training team worked to put together a self-paced online training module that helps guide users through the information that is available.

There were several license types that were transitioned onto NMLS by various agencies over the past year. The Learning and Development Team, in conjunction with State Relations and Business Services, helped to train agency staff and members of industry on how to manage these licenses on NMLS. These trainings have grown more sophisticated in the past year, requiring learners to complete prerequisite self-paced online training to ensure that users successfully adopt best practices in using the System.

Another big effort for the Learning and Development Team for 2017 was to launch a series of short training videos intended for federally registered mortgage loan originators. The videos are hosted on a newly launched [YouTube channel](#). More content for other audiences is now in development.

The Mortgage Licensing School continued to provide best practices in license application review and NMLS functionality to our members. The program provides focused, relevant education by allowing state

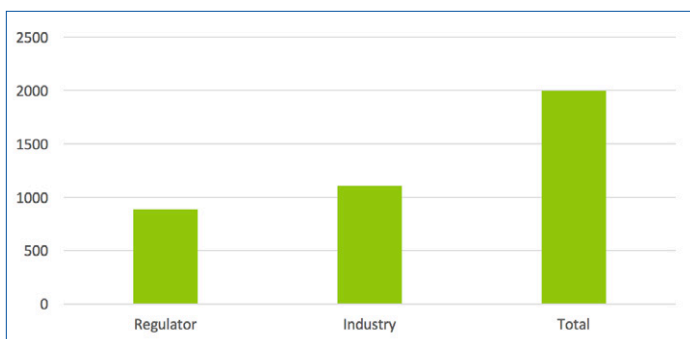


FIGURE 24. NMLS USERS TRAINED

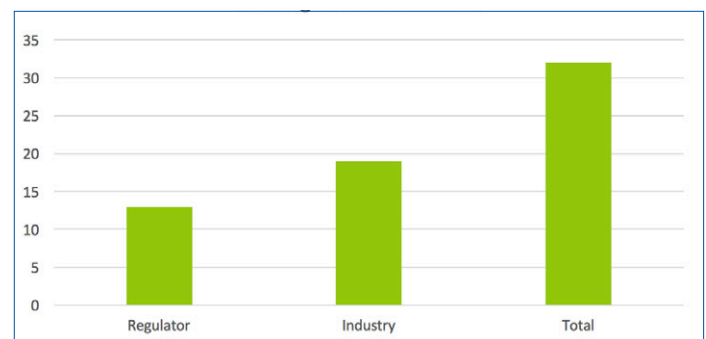


FIGURE 25. TRAINING SESSIONS OFFERED

regulators to enroll in a learning plan that is specific to their role within an agency. Since the program's launch, 146 learners across 35 state agencies have enrolled, and 49 learning plans have been completed.

In 2018, the Learning and Development Team will focus on developing training to help support the transition to NMLS 2.0 and the State Examination System.

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 2017, there were over 2.9 million visitors to the NMLS Consumer Access website, which received more than 96.5 million page views. SRR launched NMLS Consumer Access in 2010.

NMLS B2B ACCESS

SRR offers a subset of the public data available in NMLS Consumer Access in a business-to-business (B2B) data format through a subscription service known as [NMLS B2B Access](#). Making the data available in a full dataset format expands the reach of the SAFE Act to further meet compliance and fraud prevention goals by supporting companies who service the mortgage industry with data and loan origination products.

In 2017, SRR added four new B2B subscribers who are using the NMLS data for license verification, fraud prevention or referral purposes.

NMLS ANNUAL CONFERENCE AND TRAINING

The 9th NMLS Annual Conference and Training was held February 13-16, 2017, in Austin, Texas, with over 590 registrants in attendance. State regulators from 62 state agencies joined licensees from a range of

financial industries, education providers, law firms and consultants to engage in a variety of topics concerning NMLS and state and federal regulation. The 2017 NMLS Annual Conference included sessions for the state and federal mortgage industry, money services businesses, debt collectors and consumer finance companies. In addition, sessions included presentations on the Mortgage Call Report (MCR), testing and education for mortgage licensees, Federal Registry System use, numerous new and upcoming system enhancements, and many more topics. The 2017 NMLS Annual Conference provided an opportunity for regulators, licensees, and registrants to learn from industry experts and peers to solve business and industry challenges (Figure 26).

The 10th [NMLS Annual Conference and Training](#) is scheduled for February 6-9, 2018 in New Orleans, Louisiana.



FIGURE 26. 2017 NMLS ANNUAL CONFERENCE AND TRAINING

NMLS Data Analytics



Two regulator working groups worked through 2017 to deliver new data analytics products to their colleagues. The Risk Profile Working group developed a new report, the Servicing Examiners Report, that organizes and presents key data from the Mortgage Call Report (MCR) in support of mortgage servicing company examinations. The Money Services Businesses (MSBs) Call Report Working Group provided input on a new data analytics application, MSB Call Report Analytics, to help MSB examiners easily access information from the MSB Call Report relevant to a licensee in their state.

The Servicing Examiners Report will allow a mortgage examiner to export a standardized Excel workbook about a company based on data from the NMLS MCR. The tool supports mortgage examiners in exam preparation and scoping by quickly retrieving information about a company that would have taken a few hours to compile manually from NMLS. A prototype of this report will be demonstrated to regulators at the 2018 NMLS Annual Conference.

MSB Call Report Analytics, released in July, allows MSB examiners to quickly view and export MSB Call Report data for the nation, their state, and specific companies. Additional functionality in development will allow regulators to export data relevant to a company examination directly to an Excel workbook, similar to the Servicing Examiners Report. In 2017, 34 states accessed MSB Call Report Analytics.

MCR Analytics, which provides mortgage examiners with self-serve access to customizable aggregations of Mortgage Call Report data, continued to be the most popular tool in the NMLS Analytics suite, with 53 state agencies using it. The Mortgage Examiners Report, which organizes and presents information from the MCR in a printable format, was used at 50 state agencies. Renewal Analytics was heavily used again during 2017 to track the renewal progress of state licenses with 45 state agencies using the tool.

There were 38 state agencies that accessed Work Item Analytics, a tool that lets state agency managers analyze their work list in NMLS (Figures 27 and 28).

SRR publishes quarterly reports on the mortgage industry as well as fact sheets on MSBs and debt collectors licensed in NMLS. All reports and several additional data sets are publicly available on the [NMLS Resource Center Reports page](#).

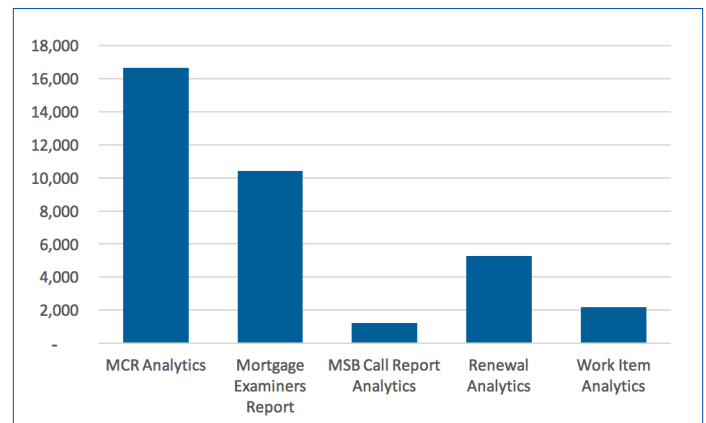


FIGURE 27. NMLS ANALYTICS TOOL USAGE, NUMBER OF SESSIONS

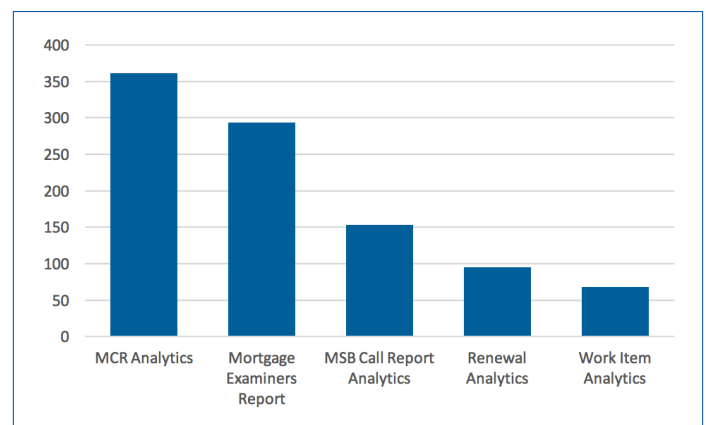


FIGURE 28. NMLS ANALYTICS TOOL USAGE, NUMBER OF USERS



NMLS Policy

NMLS POLICY COMMITTEE (NMLSPC)

At the center of the NMLS policy making process is the NMLS Policy Committee (NMLSPC). 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. As would be expected, during the past year, the NMLSPC focused on both ongoing System issues as well as providing guidance and direction for the development of NMLS 2.0. During the latter part of 2017, the NMLSPC began meeting twice a month, with one meeting dedicated solely to NMLS 2.0 policy decisions such as data migrations and retention policies, business activity selection, document upload and overall change management issues attached to the 2018 adoption of the new system.

In 2017, the NMLSPC reviewed a variety of issues affecting NMLS policies and the operations of the System. In addition to NMLS 2.0 core policy issues, the Committee spent time on:

- Approval of the SRR Public Comment Policy which was sent out for public comment in late 2016
- Review of suggested updates to the NMLS Policy Guidebook and the Mortgage Call Report (MCR)
- Development of a pilot group to receive MCR Flagged Filings
- Discussions on the perpetual license policy; review of NMLS Consumer Access suppression requests
- Approval of applications for B2B subscriptions
- 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](#), a state regulator, 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 2017 in conjunction with the 9th NMLS Annual Conference and Training in Austin, Texas and the American Association of Residential Mortgage Regulators Annual Regulatory Conference in August in San Antonio, Texas. A variety of issues were raised during these meetings, including:

- Foreign Entity Licensing
- Stakeholder Engagement with NMLS
- License Application and Sponsorship Turn Times
- Backdating of License Approval Dates
- Development of Specific State Information Sections in NMLS
- Money Services Businesses Call Report Adoption Timeline
- Examination Trends
- Disclosure of All Commonly Owned Affiliates in NMLS
- State Requirements for Reporting of Ownership
- Effects of Diversity Among State Requirements
- Examination Management Tool Suite

In addition, 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 29. 2017 NMLS POLICY COMMITTEE
Back (Left to Right): Scott Corscadden (AL), Jim Payne (KS), Sue Clark (VT), Felicia Faison-Holmes (GA), Greg Oaks (FL); **Front** (Left to Right) Kelly O'Sullivan (MT), Kyle Krapf (IL), Rick St. Onge (WA), Leslie Pettijohn (TX) (Aaron Webb (ND), Kristen Anderson (OR) and Rholda Ricketts (NY) not pictured)

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. During 2017, the Open Forum call agenda was adapted to include a monthly update and discussion on development and stakeholder engagement for NMLS 2.0.

In addition to ongoing stakeholder engagement on NMLS 2.0, examples of major topics discussed during 2017 include:

- Prelicensure Education Expiration Policy
- Review of Updated NMLS Guidebook and MCR Proposed Changes
- BioSig Authentication for Education Courses

- National Test Content Outline Expansion Project
- Improved Access to Regulator Training
- The 2018 License Renewal Plan and Strategy

INDUSTRY DEVELOPMENT WORKING GROUP

NMLS consults with the Industry Development Working Group (IDWG) to gather input from industry users. This group provides input into the technical and functional development of NMLS. During 2017, some topics reviewed by the IDWG include:

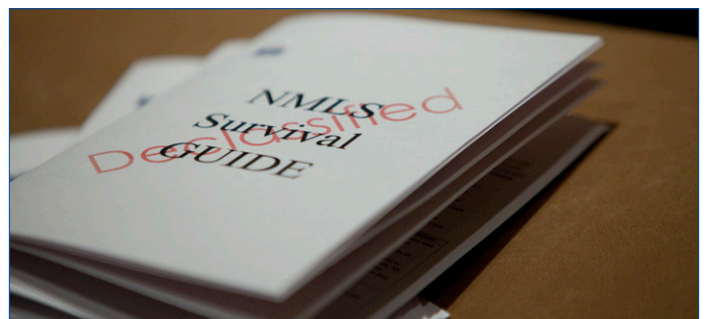
- Stakeholder Engagement in NMLS 2.0
- Account Creation
- Defining Core Data & Documents
- Process Flows for Licensing Applications
- MSB Call Report Adoption
- Electronic Surety Bond Updates
- SRR Policy on Public Comment Process

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 SPC, public comments are requested for significant policy issues or NMLS functionalities. During 2017, no new requests for public comment were issued. The current SRR Policy for the process of issuing public comments was finalized in 2017, following comments that were received and reviewed in 2016.

Active and archived proposals issued for public comment, comments received, and SRR's response to comments are available on the NMLS Resource Center.





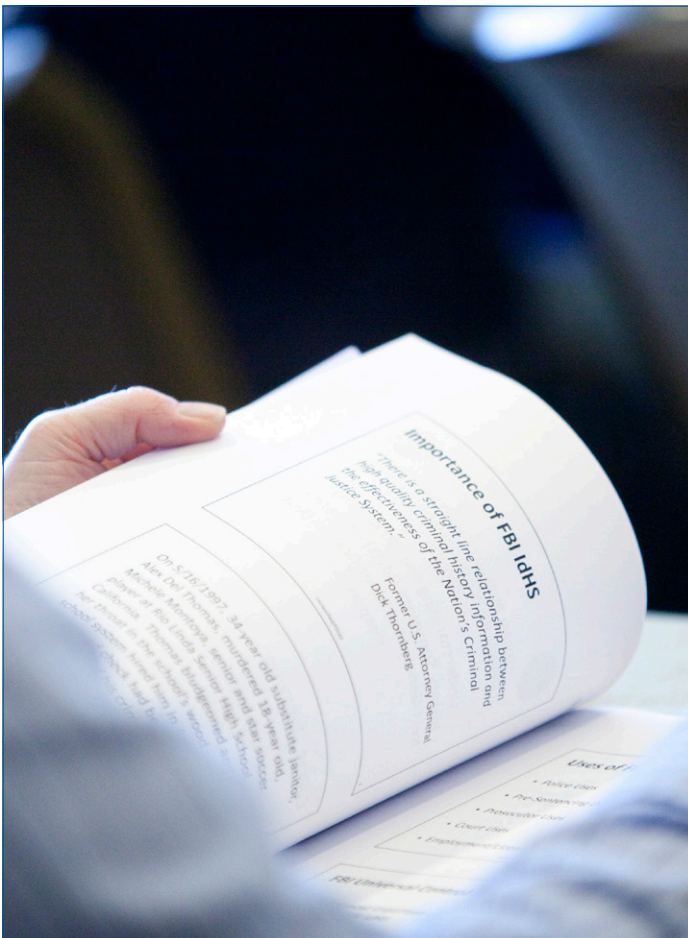
NMLS Development and Enhancements

HIGHLIGHTS OF 2017

All aspects of NMLS development and enhancements are accomplished through the efforts of various working groups, task forces, and committees made up of state regulator and industry experts. A successful release implementation for NMLS depends upon the continued involvement and valuable feedback from these experts. NMLS deployed three major releases (March, June and September) and seven maintenance releases in 2017. This section highlights enhancements delivered during 2017 as well as some of the major ongoing development work efforts throughout the year.

MONEY SERVICES BUSINESSES CALL REPORT

The Money Services Businesses (MSB) Call Report was developed with the goal of enhancing and standardizing the information available to state regulators concerning the activities of their MSB licensees (money transmitters, check cashers, prepaid, etc.). Licensees are able to complete the report directly in NMLS. The report includes national and state-specific MSB activity information that is submitted on a quarterly and annual basis. As of December 31, 2017, 18 state agencies have adopted the MSB Call Report.





ELECTRONIC SURETY BONDS (ESB)

In 2017, 16 additional states agencies adopted electronic security bonds (ESB) for a total of 22. In addition, the following ESB functionality was developed to increase efficiency and support regulator and industry work process:

- **Alternate Security Device.** NMLS permits an alternate security device to be submitted to meet financial responsibility requirements in lieu of providing an electronic surety bond.
- **Annual Certification & Validation.** Surety companies and surety bond producers can complete an annual attestation (between November 1 and December 31) regarding the accuracy of their profile, state authorization, and active association information in NMLS.
- **Association of Bond to Multiple License Instances.** NMLS can associate an active surety bond previously delivered with a license instance that is now in a terminal status to a newly submitted license request for the same license type.
- **Attestation Versioning and Display.** Attestation language for surety bond can be versioned so the appropriate attestation language can be rendered based on the date the action requiring attestation was taken by the user. In addition, in order to provide evidence to state regulators of the signatory authority of the surety entity user at the time the bond or rider is signed, NMLS captures and displays the attestation language as well as the Signing Authority of Authorized User at the time of signature.

- **Bond Versioning.** Regulators can provide updated text for ESB in NMLS. When a new bond version is activated in NMLS, all bonds created for a license type associated to the bond will use the new bond version. Regulators can require all existing bonds to be updated to the new bond version through issuance of a revised form bond.
- **Regulator Compliance Support.** Bond amount coverage, company licensing details and branch licensing details are viewable by state regulators to assist with determining bond requirement compliance for a specific license type.
- **Removal of Surety Company/Licensee Authority.** Any party to a surety/licensee relationship can remove authority for issuance and management of bonds.
- **Returned to Surety by Regulator.** Regulators can return original and revised form bonds to the surety for correction.
- **Voiding Bonds.** NMLS allows for the voiding of original bonds that have been signed by the surety and later returned by the regulator.
- **Surety Industry Roster Reports.** Roster-like reports of bonds were created for surety companies and surety bond producers.

SYSTEM USABILITY

- **Timeout Warning.** NMLS warns users about impending timeout based on a five-minute warning period prior to timeout.



Testing and Education

OVERVIEW

In 2017, SRR continued to meet its obligation under the SAFE Act by through its management of its mortgage loan originator (MLO) testing and education programs. Highlights include:

- By the end of 2017, 33 state agencies had implemented requirements for MLO applicants to satisfy state-specific pre-licensure (PE) education requirements. Twenty-five agencies had similar requirements for licensees to satisfy their continuing education (CE) requirements.
- More state agencies adopted the National Test with Uniform State Content (UST) bringing the total number to 57.
- The National Test Content Outline was revised substantially and republished.
- The initiative to ensure the authentication of students taking online courses was implemented successfully.
- SRR staff completed 91 course compliance exams of education providers.
- SRR filed a lawsuit in federal district court against three defendants who are alleged to have misused National Test content.

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

Three additional state agencies adopted the UST in 2017 bringing the total number of state agencies that have adopted it to 57. While the adoption of the UST has had a very positive impact on the increase of MLO applications in the adopting states, the existing test requirement, as well as additional education requirements by some states, ensure that applicants and licensees understand general mortgage knowledge, federal laws and state laws.

TEST DEVELOPMENT AND MAINTENANCE

A fundamental obligation to consumers and to test candidates is to ensure that SAFE MLO tests are valid, fair and reliable. In 2017, SRR continued to ensure that these criteria were met or exceeded.

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 items (questions), along with evaluating item performance data and creating new test questions. SRR and those state agencies that require a state-specific test also conducted regular legislative reviews of state and federal components to ensure that test questions are accurate and up-to-date. Staff continued to employ multiple maintenance cycles throughout the year which was very productive and efficient. We greatly appreciate the many contributions from industry and regulatory subject matter experts who gave their time and expertise this past year to help maintain the high quality of the MLO tests.

In May 2017, SRR staff published an expanded content outline for the National Test. While the content outline is reviewed regularly, this is the first time since the launch of the testing program in 2009 that the detail of the outline was expanded. The new,

expanded outline provides test candidates with more detail describing each of the National Test's five major content sections, but still preserves the security of the test. The initiative was a multi-month effort by members of the MTEB, subject matter experts, SRR staff and SRR's testing vendor.

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 2017, SRR formally responded to 57 challenges that were submitted under this process, which is a substantial decline from 93 challenges in 2016.

TEST ADMINISTRATION

The national and four state components of the SAFE MLO Test were available at the end of 2017. During the year, two state tests were retired when their state agencies adopted the National Test with Uniform State Content or UST. Approximately 53,000 test components were administered in 2017. MLOs were able to take any of the test components at more than 270 high-stakes test centers throughout the United States. During the year, a string of natural disasters from hurricanes to floods to wildfires impacted many parts of the country and affected many of our test centers and test candidates. SRR's testing vendors worked very hard to minimize the impact of these events and maintain and restore the full operation of the test network.

A summary of the number of tests administered in 2016 and 2017 is included in Figure 30. This was the third year that test results could expire if the individual failed to maintain a valid, renewable license for a period of five or more years as mandated by the SAFE Act. (MLO testing under the SAFE Act began in 2009.) In 2017, over 40,000 test results expired in NMLS.

2016-2017 Number of Tests Administered		
TEST NAME	2016	2017
SAFE MLO Test - National Component with Uniform State Content	43,266	46,744
SAFE MLO Test - State Components (Aggregate)	16,801	5,334
TOTAL TESTS ADMINISTERED	60,067	52,078

FIGURE 30. NUMBER OF TESTS ADMINISTERED

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 31, which shows the pass rates by attempt for the National Test with Uniform State Content for the past 24 months. In addition, Figure 32 illustrates the first-time pass rates by month, through 2017.

NATIONAL COMPONENT WITH UNIFORM STATE CONTENT			
Pass Rates by Attempt			
January 1, 2016 through December 31, 2017			
	Tests Taken	Tests Passed	Pass Rate
First Time	64,573	38,590	60%
Subsequent Attempts	26,643	11,508	43%
Overall	91,216	50,098	55%
	Candidates	Candidates Passed	Pass Rate by Individual
All Attempts	68,172	50,095	73%

FIGURE 31. NATIONAL TEST WITH UST PASS RATES BY ATTEMPT

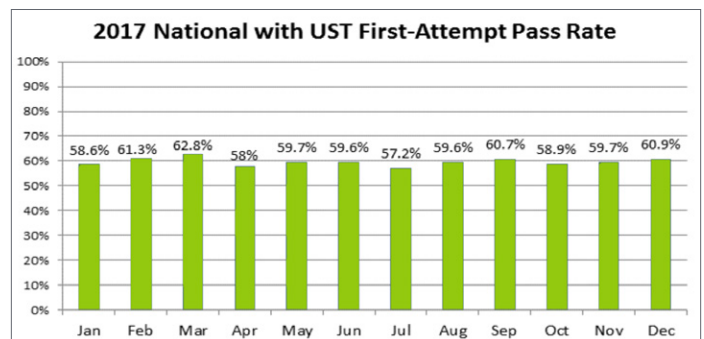


FIGURE 32. NATIONAL TEST FIRST TIME PASS RATES BY MONTH

TESTING AND EDUCATION SECURITY

During 2017, SRR continued its focus on maintaining and improving the security of its testing and education programs. SRR works closely with its test vendors to ensure the development, delivery and processing of MLO tests is secure. Both test takers and education students are required to acknowledge and accept a Candidate Agreement (for test takers) and Rules of Conduct (for test takers and education students). SRR employs an internet 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. It has resulted in several investigations and successful requests for the removal of copyrighted materials from the Internet. One such investigation led SRR to file a lawsuit against three defendants who are alleged to have illegally obtained and misused National Test content. The following table (Figure 33) summarizes the investigations SRR initiated in 2017.

2017 Summary of SRR and MTEB Investigations					
Subject of Investigation	Type of Violation	Number of Cases	Findings		
			Violations Found	No Violation	Ongoing
Course Providers	Standards of Conduct	2	1	0	1
Test Takers	Rules of Conduct	9	7	2	0
Online Test Prep	Misuse of Test Content	3	1	0	2
Total		14	9	2	3

FIGURE 33. 2017 SUMMARY OF SRR AND MTEB INVESTIGATIONS

SRR successfully implemented a new application which helps authenticate students who participate in NMLS-approved online self-paced CE courses. The vendor that developed the application worked with more than 30 course providers to help them install it on their Learning Management Systems (LMSs). The application requires students to create and re-enter a simple behavioral biometric password, which adds a unique multi-factor authentication to the traditional username and password security procedures. This will help to better ensure that students who take self-paced, online CE courses are the persons they claim to be. Implemented in August 2017 prior to the license renewal season, the application was used successfully by nearly 66,000 licensees during the completion of their annual CE requirements.

EDUCATION

Over 140,000 state-licensed MLOs and MLO applicants completed more than 2.5 million hours of education in 2017. The number of PE hours completed in 2017 increased 4.2 percent from the year before. Of the more than 140,000 MLOs who were required to complete CE in 2017, nearly 89 percent did so by December 31, 2017, a decrease of 2 percent from the previous year. Sixty-six percent of MLOs completed their annual CE using an online course, up 1 percent from 2016 (Figure 34).

There were 117 NMLS-approved course providers at the end of 2017, five more than the prior year. Course providers submitted 834 new courses for approval, and over 800 existing courses for renewal.

A team of six mortgage subject matter experts reviewed the courses.

NMLS Approved Education Fast Facts for the year ending December 31, 2017	
Active Course Providers	116
PE and CE Courses	1,975
MLOs Completing Courses	143,356
PE Hours Completed	1,120,828
CE Hours Completed	1,391,835
CE Completed Online	66%
MLOs Completing CE by December 31	89%
Course Compliance Exams Completed	91

FIGURE 34. 2017 NMLS APPROVED EDUCATION SUMMARY

A growing number of state agencies now require applicants or state licensees to complete state specific PE or CE in addition to the federally mandated SAFE topics. This trend has accelerated with the states' adoption of the National Test with Uniform State Content UST. By the end of 2017, 33 state agencies had implemented requirements for MLO applicants to satisfy state-specific PE education requirements. Twenty-five agencies had similar requirements for licensees to satisfy their CE requirements. The map (Figure 35) illustrates the requirements for PE and CE across the country.

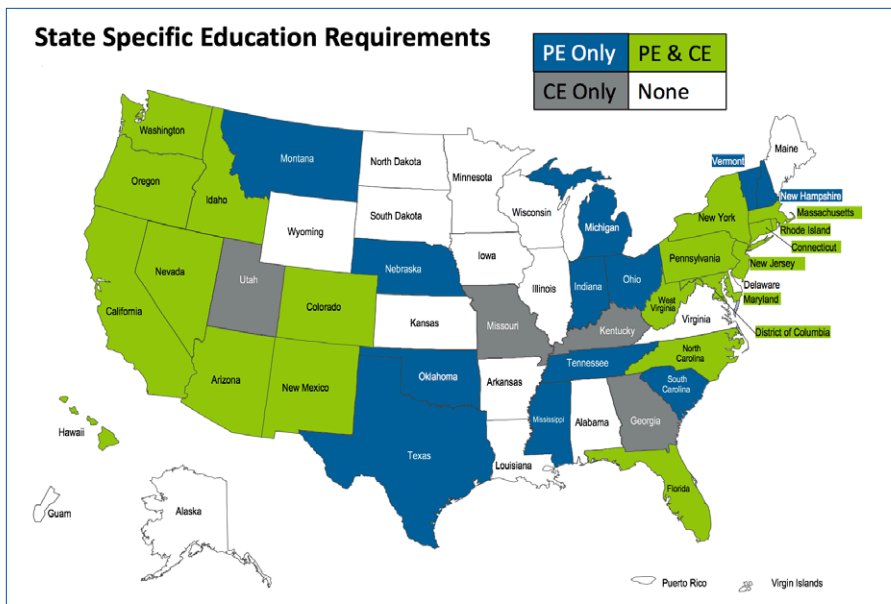


FIGURE 35. PE AND CE REQUIREMENTS

EDUCATION COMPLIANCE

Course Examination Program: SRR continued to focus heavily on ensuring courses are delivered in accordance with the intent of the SAFE Act. Staff initiated and completed over 91 classroom and online course compliance exams in 2017. These exams included attending courses and meeting with course providers to review company policies, delivery methods, and to exchange information and ideas about how to improve the overall mortgage education program. Some exam visits are unannounced, some are scheduled with the providers and some are conducted remotely via computer. As in previous years, course delivery standards were monitored through a scorecard approach that measures instructor knowledge, course delivery, administration, and overall student satisfaction. Data is derived from surveys sent to students after each course and those results are shared with the course providers.

The process was substantially improved in 2017 and the quality of information shared with course providers significantly improved. In 2017, SRR collected and analyzed nearly 6,000 survey comments, a twenty percent increase over the prior year.

COURSE PROVIDER WORKING GROUP

Initially established in 2015, the Course Provider Working Group (CPWG) continued to review and make policy recommendations to SRR throughout 2017. Of significant note, the CPWG was heavily involved in establishing the document and data retention policy for NMLS-approved courses, provided feedback on the updated approved topics list, and offered support and insight during the implementation of the student authentication requirement. The CPWG also

participated in the annual review of the Functional Specifications that govern the technical design and delivery of NMLS approved courses. The CPWG went through its first member rotation in April when four members rotated off the group and four new members joined. The current members of the CPWG are listed in **Appendix F**.

MORTGAGE TESTING AND EDUCATION BOARD

The Mortgage Testing and Education Board (MTEB), created in 2009 by the SRR Board of Managers, comprises at least nine state regulators representing each of the five CSBS Districts and at least one American Association of Residential Mortgage Regulators representative. The MTEB's primary mission is to provide guidance and recommendations to 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 MLO testing and education programs. Additionally, MTEB performs an appellate role as necessary for the investigations involving violations of the Rules of Conduct for Test Takers and Education Students and the Standards of Conduct for Course Providers.

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



NMLS Legal and Administrative Issues

SECURITY, PRIVACY AND BREACH POLICIES

NMLS 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 our contract with the Consumer Financial Protection Bureau (CFPB). The Federal 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 system was audited by the Federal Bureau of Investigation (FBI) for compliance with the Criminal Justice Information Services (CJIS) Security Policy version 5.5 was deemed to be CJIS compliant.

Annual Compliance with the Payment Card Industry Data Security Standard was completed and attestation documents for SRR for period ended December 2016, was submitted by the NMLS Application Hosting and Operating organization.

The NMLS Privacy, Data Security and Security Breach Notification Policy is available on the NMLS Resource Center and is in the process of being updated for the release of NMLS 2.0.

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:

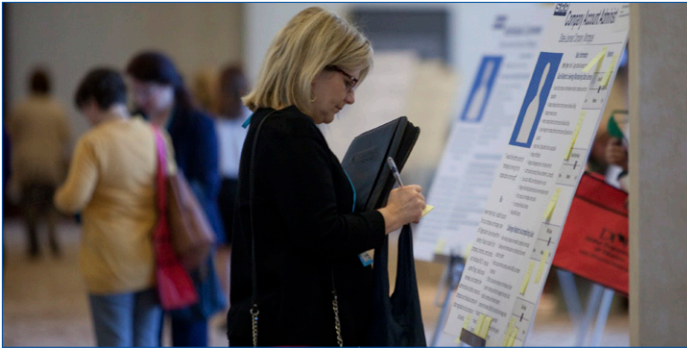
- Industry Terms of Use
- State Agency Terms of Use
- Federal Agency Terms of Use

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

The Industry, State Agency, Federal Agency and Surety Bond Industry 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. SRR has begun the process of updating these agreements to accommodate new functionality in NMLS 2.0.

There are two Credit Terms of Use agreements: one for state-licensed mortgage loan originators (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.



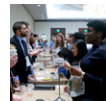
MEMORANDUM OF UNDERSTANDING

SRR has signed an information sharing memorandum of understanding (MOU) with the Federal Trade Commission (FTC). The MOU contains specific protections and limitations for the information being shared. The FTC will use NMLS data for research and analysis in performing their duties concerning consumer protection and share information with the NMLS concerning their own enforcement actions against entities and individuals on the NMLS. As noted earlier in this report, information on all MOUs can be found on the [Information Sharing Through NMLS](#) webpage.

LITIGATION

SRR was not subject to any significant litigation in 2017. SRR has engaged in litigation against a course provider and its associates for copyright violations concerning test questions that had been associated with the NMLS National Test that appeared in their course materials.

SRR Financial Perspective



SRR FINANCIAL PERSPECTIVE

Overview

SRR is structured as a single member limited liability corporation 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, 2017 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, 2018 includes significant financial investments in technology with the development of NMLS 2.0, with new and enhanced system functionality. Additionally, we will continue to expand the 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.



Appendices



Appendix A: Organizational 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 greatly benefits from, and appreciates, 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. SRR is governed by a nine-member Board of Managers comprised of state banking regulators and a representative of American Association of Residential Mortgage Regulators (AARMR)¹. The SRR Board of Managers is responsible for all development, operations and policy matters concerning NMLS. SRR is a wholly-owned subsidiary of CSBS².

At the end of 2017, SRR had 38 full-time equivalent professionals in Washington, D.C. These professionals work under the direction of the SRR Board of Managers to develop, enhance, and operate NMLS, oversee SAFE Act compliance, administer the testing and education programs, and facilitate working groups of state and federal regulators and industry related to state licensing, federal registration, supervision, and NMLS policy. Additionally, SRR contracts with the Consumer

Financial Protection Bureau to register MLOs through the NMLS Federal Registry, as well as with other firms to deliver various portions of NMLS functionality and program oversight.

NMLS OMBUDSMAN

The position of NMLS Ombudsman, a state regulator, 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 2017 was Scott Corscadden, Supervisor, Bureau of Loans, Alabama State Banking Department.



¹AARMR 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.

²The Conference of State Bank Supervisors (CSBS) is the national organization of bank regulators from all 50 states, District of Columbia, American Samoa, Guam, Puerto Rico and U.S. Virgin Island. State regulators supervise roughly three-quarters of all U.S. banks and a variety of non-depository financial services. CSBS, on behalf of state regulators, also operates the Nationwide Multistate Licensing System to license and register non-depository financial service providers in the mortgage, money services businesses, consumer finance and debt industries.

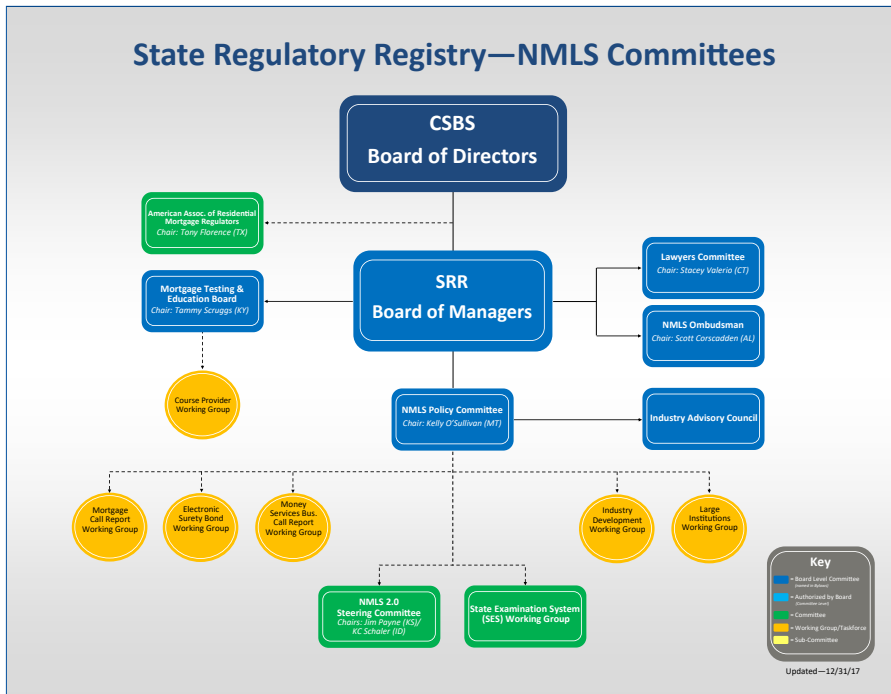


FIGURE 36. SRR-NMLS ORGANIZATIONAL CHART



NMLS POLICY COMMITTEE

The NMLS Policy Committee (NMLSPC) 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 NMLSPC which makes final decisions or recommends specific policy to the SRR Board of Managers, as appropriate. The NMLSPC is comprised of 11 state regulators, including the NMLS Ombudsman, representatives from each of the five CSBS Districts, and representatives from American Association of Residential Mortgage Regulators, Money Transmitters Regulators Association³, National Association of Consumer Credit Administrators⁴, and North American Collection Agency Regulatory Association⁵.

MORTGAGE TESTING AND EDUCATION BOARD

The Mortgage Testing and Education Board (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

The Industry Advisory Council (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.

³MTRA 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.

⁴NACCA 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.

⁵NACARA is comprised of the various regulatory agencies in the United States and its territories and Canada that oversee the activities of third-party debt collectors.



SRR LAWYERS COMMITTEE

The SRR Lawyers Committee consists of attorneys from state regulatory agencies. The committee 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 NMLS. 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.

INDUSTRY DEVELOPMENT WORKING GROUP (IDWG)

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

LARGE INSTITUTIONS WORKING GROUP

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 NMLS policy and development and to set the direction for operational needs. Working groups that were convened during 2017 include:

- Course Provider Working Group
- Mortgage Call Report Working Group
- Electronic Surety Bond Working Group
- Money Services Businesses Call Report Working Group

Membership of the SRR Board of Managers, NMLS Policy Committee, MTEB, IAC, SRR Lawyers Committee, IDWG and the 2017 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 mortgage loan originators (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, the United States Department of Housing and Urban Development (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 Consumer Financial Protection Bureau (CFPB).

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 are accredited under the program: California Department of Business Oversight, Hawaii, Idaho, Iowa, Kentucky, Louisiana, Maryland, Massachusetts, Mississippi, Montana, 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.

AMENDMENTS TO THE SAFE ACT

At the end of 2015, the U.S. Congress enacted two amendments to the SAFE Act. The State Licensing Efficiency Act of 2015 was signed into law December

4, 2015.¹ This law amended Section 1511 of the SAFE Act, giving state regulators the explicit authority to use NMLS to process background checks for non-depository financial services industries beyond the mortgage industry. Prior to this amendment, NMLS was authorized to process fingerprint based background checks for only licensed and registered mortgage loan originators.

Congress also enhanced the existing privilege and confidentiality protections shared among regulators through NMLS by expanding those protections to apply to regulatory officials with financial services industry oversight authority in addition to those that have mortgage oversight authority.²

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. Additionally, the CFPB has posted over 180 actions taken by the Bureau against companies and individuals that have records in NMLS. As of year-end 2017, 52 state agencies had posted almost 10,000 public regulatory actions and federally registered MLOs had reported over 1,480 actions.

¹See Title VXXXVII of the Fixing America's Surface Transportation Act ("Fast Act") Pub. L. No. 114-94, sec. 88002 (Dec. 4, 2015).

²See Section 703 of the 2015 Omnibus Appropriations bill (Pub. L. No. 114-113).



Appendix C: NMLS Unique Identifier

As required by Section 1503 of the SAFE Act, an NMLS Unique Identifier (NMLS ID) is permanently assigned by NMLS to each state-licensed or federally registered mortgage loan originators (MLOs). 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 and the U.S. Department of Housing and Urban Development. 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.

For additional information of the NMLS Unique Identifier and its uses, see the [NMLS Resource Center](#).

Appendix D: NMLS Fees

SYSTEM FEES

To fulfill SAFE Act obligations, NMLS charges various fees for services provided. NMLS fees are paid for, in most 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 Federal Bureau of Investigation (FBI) 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 (M&A) 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 reviews NMLS fees annually 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 have been 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 in which the reactivation request occurs.

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 of 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 an individual's NMLS record and is viewable by the state regulator who issues the company or MLO license, or by the employing institution of federally 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

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 criminal background check results, credit reports, federal registry information, or account

administrator rights. 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 Uniform Authorized Agent Reporting (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 UAAR 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 UAAR 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 federal registry 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 the acquiring institution

More information about NMLS fees can be found on the [NMLS Resource Center](#).

Appendix E: NMLS 2017 Development Schedule and Features

DATE:	PRIMARY FEATURES
03/20/2017 (2017.1 Release)	<ul style="list-style-type: none">• Money Services Businesses Call Report• Surety Bonds – Enhancements
06/19/2017 (2017.2 Release)	<ul style="list-style-type: none">• Surety Bonds – Return to Surety by Regulator
9/18/2017 (2017.3 Release)	<ul style="list-style-type: none">• Money Services Businesses Call Report – Section IV• Surety Bonds –<ol style="list-style-type: none">1. Regulator Compliance Support2. Surety Industry Roster Reports3. Annual Certification & Validation

Maintenance Releases were deployed:

1/23/2017, 2/27/2017, 4/24/2017, 5/22/2017, 7/24/2017, 8/21/2017, 10/16/2017 and 12/05/2017

Appendix F: Committee and Working Group Rosters

(As of December 31, 2017)

SRR BOARD OF MANAGERS	MEMBERS
CHAIR Mr. John Ducrest Commissioner Louisiana Office of Financial Regulation	Mr. Tony Florence Director of Mortgage Examination Texas Department of Savings and Mortgage Lending (AARMR Representative)
VICE CHAIR Mr. Charles Cooper Commissioner Texas Department of Banking	Mr. Gavin Gee Director of Finance Idaho Department of Finance
TREASURER Mr. Kevin Hagler Commissioner Georgia Department of Banking and Finance	Mr. Bryan Schneider Secretary Illinois Department of Financial & Professional Regulation
	Ms. Shirin Emami Executive Deputy Superintendent - Banking New York State Department of Financial Services
	Mr. Albert Forkner* CSBS Chairman & Commissioner Wyoming Division of Banking
	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.

NMLS POLICY COMMITTEE

CHAIR

Ms. Kelly O'Sullivan
Attorney
Montana Division of Banking and Financial
Institutions

OMBUDSMAN

Mr. Scott Corscadden
Supervisor, Bureau of Loans
Alabama Banking Department

DISTRICT 1 REPRESENTATIVE

Ms. Rholda Ricketts
Deputy Superintendent
New York State Department of Financial Services

DISTRICT 2 REPRESENTATIVE

Mr. Kyle Krapf
Director, Mortgage Banking Licensing
Illinois Department of Financial & Professional

DISTRICT 3 REPRESENTATIVE

Mr. Greg Oaks
Director, Division of Consumer Finance
Florida Office of Financial Regulation

DISTRICT 4 REPRESENTATIVE

Mr. James Payne
Director of Licensing
Kansas Office of the State Bank Commissioner

DISTRICT 5 REPRESENTATIVE

Ms. Kirsten Anderson
Licensing Manager
Oregon Division of Financial Regulation

NACARA REPRESENTATIVE

Mr. Aaron Webb
Deputy Commissioner
North Dakota Department of
Financial Institutions

AARMR REPRESENTATIVE

Ms. Felicia Faison-Holmes
Director, Non-Depository Financial Institutions
Georgia Department of Banking & Finance

MTRA REPRESENTATIVE

Mr. Rick St. Onge
Examination Chief, Division of Consumer Services
Washington Department of Financial Institutions

NACCA

NACCA Representative
Ms. Leslie Pettijohn
Commissioner
Texas Office of Consumer Credit Commissioner

STAFF

Mr. Tim Doyle
Senior Vice President, SRR

Mr. Bill Young
Vice President, SRR

MORTGAGE TESTING AND EDUCATION BOARD

CHAIR

Ms. Valerie Carbone, Esq.
Massachusetts Division of Banks

VICE CHAIR

Ms. Tammy Scruggs
Kentucky Department of Financial Institutions

MEMBERS

Ms. Lorelei Botner Abrams
Illinois Department of Financial & Professional Regulation - Division of Banking

Mr. Richard Fergus
Arizona Department of Financial Institutions

Mr. Robert Knaub
Pennsylvania Department of Banking and Securities

Mr. Jason Booth
Florida Office of Financial Regulation

Mr. Justin Accola, CSME
Texas Department of Savings and Mortgage Lending

Ms. Linda McClure, CSME
North Carolina Office of Commissioner of Banks

Ms. Brenda Fanning, CSME
Wyoming Department of Audit, Division of Banking

STAFF

Mr. William Matthews
President, SRR

Mr. Pete Marks
Vice President, Mortgage Testing and Education Programs

NMLS 2.0 STEERING COMMITTEE

CO-CHAIR

Mr. Jim Payne
Director of Licensing
Kansas Office of the State Bank Commissioner

CO-CHAIR

Ms. KC Schaler
Supervising Examiner, Licensing
Idaho Department of Finance

MEMBERS

Ms. Felicia Faison-Holmes, Esq.
Director for Non-Depository Financial Institutions
Georgia Department of Banking & Finance

Ms. Valerie Carbone
Counsel
Massachusetts Division of Banks

Mr. Mick Campbell
Supervisor of Mortgage Lending
Missouri Division of Finance

Mr. Christopher Romano
Non-Depository Bureau Chief
Montana Division of Banking and Financial Institutions

Mr. Robert Mednikov
Assistant Deputy Commissioner
Virginia Bureau of Financial Institutions

STAFF

Mr. Bill Young
Vice President, SRR

INDUSTRY ADVISORY COUNCIL

Mr. Donald E. Fader, CRMS
SMC Home Finance

Mr. Don Redmond
Portfolio Recovery Associates, Inc.

Mr. Sam Morelli
PrimeSource Mortgage, Inc.

Mr. Thomas Hendrickson, CMB
Associated Mortgage Brokers

Ms. Debbie Dunn
SWBC Mortgage Corporation

Mr. Jay Gonsalves
Action Collection Agencies, Inc.

Mr. Jack Brown
Gulf Coast Collection Bureau, Inc.

Mr. Neil Sweren
Southern Trust Mortgage, LLC

Mr. Harry Dinham, CMC
The Dinham Companies

Ms. Danielle Fagre Arlowe
American Financial Services Association

Mr. John Socknat
Ballard Spahr LLP

Ms. Sarah Fagin Cutrana
Elevate, Inc.

Mr. Charlie Fields, Jr.
PennyMac Loan Services, LLC

Mr. Robert Savoie
McGlinchey Stafford

Mr. Ken Markison
Mortgage Bankers Association

Mr. Haydn Richards
Bradley Arant Boult Cummings LLP

Mr. Jeff DiMatteo
American Profit Recovery, Inc.

Mr. Kevin Pezzani
Union Home Mortgage

Mr. Phil Hitz
OneMain Holdings, Inc.

Ms. Lisa Lanham
Dentons US LLP

STAFF

Mr. Tim Doyle
Senior Vice President, Policy

SRR LAWYERS COMMITTEE

CHAIR

Ms. Stacey Valerio
Connecticut Department of Banking

Ms. Linda Carroll
Pennsylvania Department of Banking and Securities

Ms. Connie Gustafson
Indiana Department of Financial Institutions

Mr. Daniel Kehew
California Bureau of Real Estate

Ms. Lucinda Fazio
Washington Department of Financial Institutions

Mr. Steven Knudson
Vermont Department of Financial Regulation

Mr. Thomas Eckmier
New York State Department of Financial Services

Ms. Mary Dean Audick
California Department of Business Oversight

Ms. Catherine Reyer
Texas Banking Department

Mr. Zachary Hingst
Iowa Division of Banking

STAFF

Mr. John "Buz" Gorman
General Counsel

STAFF

Mr. Joseph Samowitz
Executive Assistant

AD HOC WORKING GROUPS

COURSE PROVIDER WORKING GROUP

Mr. Frank Cicione
Florida Association of Mortgage
Professionals

Ms. Abby Mindt
OnCourse Learning Corporation

Ms. Nancy Johnson
Hondros Learning

Mr. Paul St. Amand
Champions School of Real Estate

Mr. Scott Weghorst
Diehl & Associates

Mr. Brian Wedde
OnlineEd

Mr. Peter Citera
Real Estate Institute

Mr. Wendell Robinson
Quicken Loans Inc

Mr. Nathan Knottingham
Broker Knowledge Group

ELECTRONIC SURETY BOND WORKING GROUP

Ms. Maureen Camp
Washington Department of
Financial Institutions

Mr. Tag Herbek
Nebraska Department of Banking
and Finance

Ms. K.C. Schaler
Idaho Department of Finance

Ms. Kirsten Anderson
Oregon Division of Corporate
Securities

Ms. Michelle McGhuey
Washington Department of
Financial Institutions

Ms. Michelle Hickman
Wyoming Division of Bank

Ms. Myra Delaune
Louisiana Office of Financial
Institutions

Ms. Tram Nguyen
Connecticut Department of
Banking

Mr. Normal Real
Idaho Department of Finance

Ms. Sarah Driscoll
Wisconsin Department of
Financial Institutions

Mr. Daniel Schuster
New Jersey Department of
Banking and Insurance

Ms. Brandye Sedelmaier
Michigan Department of
Insurance & Financial Insurance

Ms. Sue Clark
Vermont Department of Financial
Regulation

Mr. Mark Weigold
Michigan Department of
Insurance & Financial Insurance

Ms. Alice Cruz
Guam Department of Revenue &
Taxation

Ms. LaToya Hart
Indiana Secretary of State,
Securities Division

Mr. Alan Anderson
Illinois Department of Financial &
Professional Regulation, Division
of Banking

Mr. Chris Ludwig CSME CMI
North Dakota Department of
Financial Institutions

Mr. Christopher Romano CMEM
Montana Division of Banking and
Financial Institutions

Mr. Clifford Charland CSME
Maryland Office of Financial
Regulation

Mr. Craig Christensen CME
Iowa Division of Banking

Mr. Daniel Frasier
Texas Department of Banking

Mr. Kyle Krapf
Illinois Department of Financial &
Professional Regulation, Division
of Banking

Mr. Matthew Melton
Idaho Department of Finance

Mr. Ryan Black
Indiana Department of Financial
Institutions

Mr. Thomas Brennan
Massachusetts Division of Banks

Ms. Jean Blow
South Dakota Division of Banking

Ms. Traci McCain CSME
Mississippi Department of
Banking and Consumer Finance

Ms. Arlene F. Williams
Maryland Office of Financial
Regulation

Ms. Betty McBride
Maryland Office of Financial
Regulation

Ms. Carol Webb CEM
Georgia Department of Banking
& Finance

Ms. Elizabeth Benotti
Massachusetts Division of Banks

Ms. Felicia Faison-Holmes,
Esq. CMEM
Georgia Department of Banking
& Finance

Ms. Kelly O'Sullivan
Attorney
Montana Division of Banking &
Financial Institutions

Ms. Laurie Coburn
Idaho Department of Finance

Ms. Melissa Knoepfler
Minnesota Department of
Commerce

Ms. Monica Smillie
Montana Division of Banking and
Financial Institutions

Ms. Nicole Bullock CCCS
Massachusetts Division of Banks

Ms. Noelle Sykes
Indiana Secretary of State,
Securities Division

Ms. Patrice Walsh
Alaska Division of Banking &
Securities

Ms. Robin Brown
Minnesota Department of
Commerce

Ms. Stephanie Ryals CEM
North Carolina Office of
Commissioner of Banks

Ms. Tabitha Butts CAS-I
Indiana Department of Financial
Institutions

Ms. Valerie Carbone
Massachusetts Division of Banks

Ms. Xazel Garcia
Texas Department of Banking

Ms. Sara Cabral
Rhode Island Department of
Business Regulation, Division of
Banking

INDUSTRY DEVELOPMENT WORKING GROUP

Mr. Charlie Fields, Jr.
PennyMac Loan Services, LLC

Mr. Daniel Ford
Reverse Mortgage Funding LLC

Mr. Haydn Joseph Richards, Jr.
Bradley Arant Boult Cummings
LLP

Mr. Jose Garcia
Barri Group

Mr. Mike Sacks
ADP

Mr. Sam Wolling, Jr.
HomeBridge Financial Services,
Inc.

Ms. Carmen Diaz Tojeiro
Universal American Mortgage
Company, LLC

Ms. Erika Sharpe
United Shore Financial Services,
LLC.

Ms. Gina Anderson
DoEx Dollar Express, Inc

Ms. Jenifer Edwards
Castle & Cooke Mortgage LLC

Ms. Kathryn Lynn Ryan
BuckleySandler LLP

Ms. Kelly Bachman
NFM Lending

Ms. Kristie Battershell
Quicken Loans Inc

Ms. Laura Zitting
Primary Residential Mortgage,
Inc.

Ms. Lily Swift
Blackhawk Network

Ms. Lori Goetz
Pulte Mortgage LLC

Ms. Melissa Koupal
LoanDepot.com

Ms. Michelle N. McEvoy
Green Dot Corporation

Ms. Nancy Pickover
Weiner Brodsky Kider PC

Ms. Priscilla Conrow
Veterans Home Mortgage

Ms. Tanya Anthony
The Money Source

Ms. Terri Baer
OneMain Financial, Inc.

Rebecca Warfel
Indecomm Global Services

Robert W. Savoie
McGlinchey Stafford

Ms. Stacey L Riffin
Mayer Brown LLP

Ms. Lisa Gates
Homeowners Financial Group

Ms. Lisa Marie Lanham
Dentons US LLP

Ms. Elizabeth Anne Larney
Corridor Mortgage Group, Inc.

Mr. Bobby Stewart
The Western Union Company

Ms. Bella Titiyevskaya
Guild Mortgage

Ms. Shantay Griffin
Caliber Home Loans

Ms. Edi Reber
MoneyGram International

Ms. Christine Jefferson
SunTrust

LARGE INSTITUTIONS WORKING GROUP

Ms. Wendy Alvarado
Navy Federal Credit Union

Mr. Theodore Roll
Wells Fargo Bank

Ms. Susan Tullos
USAA

Ms. Sharon Kyzer
Wells Fargo Bank

Ms. Renee Bianchi
US Bank

Ms. Nicole Vaughn
Farm Credit Services of America

Ms. Rita Zitman
Bank of the West

Ms. Rachelle Rusnak
Key Bank USA, National
Association

Ms. Noreen Nath
PNC Financial Services Group Inc.

Ms. McKenzie M. Higgins
M&T Bank

Ms. Maria Scicchitano
TD Bank

Ms. Maria Barriga
Bank of America

Ms. Lucia LaPoint
Bank of the West

Ms. Lori A. Hasselman
PNC Financial Services Group Inc.

Ms. Lisa Boyd
MUFJ Union Bank, N.A.

Ms. Linda Beaver
Wells Fargo Bank

Ms. Lauren Kercher
TD Bank

Ms. Laura Nemetz
UW Credit Union

Ms. Karen Garvin
Bank of America

Ms. Jennifer Terry
TD Bank

Ms. Jane Michael
Bank of America

Ms. Jan DeLong Lucci
Morgan Stanley

Ms. Jamie Fields
Zions Bancorporation

Ms. Ginger Boland
Regions Financial Corporation

Ms. Danielle Buchanan
Regions Financial Corporation

Ms. Catherine Gentner
TD Bank

Ms. Catherine Houston
Wells Fargo & Company

Ms. Brittany M. Imperial
EverBank

Ms. Annette Joyner
BB&T Corporation

Ms. Anna Buntin
Regions Financial Corporation

Ms. Angelyn M. Masiello
Citizens Bank

Ms. Ana Wagstaff
U.S. Bank

Ms. Pamela McCatty
Suncoast Schools FCU

Mr. Thomas J. Cahill, Jr.
JPMorgan Chase & Co.

Mr. Richard Grewe
USAA

Mr. Kent A. Dorney
M&T Bank

Mr. John Bland
Wells Fargo Bank

Mr. David Horn
Fifth Third Bancorp

Mr. Mark Cisneros
Citi Mortgage

Ms. Lisa Palavage-Benish
TD Bank

Ms. Lindsay McNally
Navy Federal Credit Union

Ms. Kathy Gately
Zions Bancorporation

Ms. Jessika Poldruhi
KeyBank Human Resources

Ms. Jamie Wedeking
Union Bank of California

Ms. Jackie Washington
Zions Bancorporation

Mr. Derek Benson
Union Bank of California

Ms. Angie Aramburu
Zions Bancorporation

Ms. Anastasia Kast
Fifth Third Bancorp

Mr. Alan Williams
Capital One

Mr. Aaron Locke
Fifth Third Bancorp

Ms. Amelia L. Sosa
SunTrust

Mr. Jeremy Atkinson
Capital One

Mr. Pierce Callaham
Suntrust Mortgage

Ms. Jean Garrett
Suntrust Mortgage

Ms. Rebecca Good
JPMorgan Chase & Co.

Ms. Kristin Kortonick
TD Bank

Mr. David Lathey
Navy Federal Credit Union

Mr. Doug Morris
JPMorgan Chase & Co.

Ms. Brenna Oubre
Navy Federal Credit Union

Ms. Heather Rockwood
Suntrust Mortgage

Ms. Melanie Skradski
US Bank

Ms. Tara Theroux
Citizens Bank

Ms. Amber D'Andrea
JPMorgan Chase & Co.

MONEY SERVICES BUSINESSES CALL REPORT WORKING GROUP

Chair
Mr. Adam Johnson
Washington Department of
Financial Institutions

Mr. Branton Grimes
North Carolina Office of the
Commissioner of Banks

Ms. Dawn Woolery
Washington Department of
Financial Institutions

Mr. Grissel Molina
Texas Department of
Banking

Ms. Sue Clark
Vermont Department of Financial
Regulation

Mr. Tim Knopp, CSME
Pennsylvania Department of
Banking and Securities

Mr. Nick Nepveu CCCS
Massachusetts Division of
Banks

Mr. Rick Posey
California Department of
Business Oversight

Ms. Robin Lobb, CSMBE CAMLS
Kansas Office of the State Bank
Commissioner

MORTGAGE CALL REPORT WORKING GROUP

Chair
Mr. Richard Cortes
Connecticut Department of

Banking
Mr. James Keiser
Pennsylvania Department of
Banking and Securities

Mr. Daniel Kline, CSME
Idaho Department of Finance

Mr. Timothy Knopp, CSME
Pennsylvania Department of
Banking and Securities

Mr. Sam Marcum COE
Missouri Division of Finance

Mr. William Mejia
California Department of
Business Oversight

Mr. Rick St. Onge
Washington Department of
Financial Institutions Division of
Consumer Services

Mr. Scott Peter
Nebraska Department of Banking
and Finance

Mr. Ryan Walsh CME
Pennsylvania Department of
Banking and Securities

Mr. Shu-Fen Weng
California Department of
Business Oversight

Ms. Pamela Williams, CSME
Michigan Department of
Insurance and Financial Services

Mr. Thomas V. Brennan
Massachusetts Division of Banks

RISK PROFILE WORKING GROUP

Chair
Ms. Kirsten Anderson
Oregon Division of Finance &
Corporate Securities

Mr. Rich Cortes
Connecticut Department of
Banking

Mr. Justin Accola, CSME
Texas Department of Savings &
Mortgage Lending

Mr. Jack Lay
Tennessee Department of
Financial Institutions

Mr. Cole Daniels
Virginia Bureau of Financial
Institutions

Mr. Kevin Beeman
Washington Department of
Financial Institutions

Ms. Jodie Jarrell, CME
North Carolina Office of
Commissioner of Banks

Mr. Dale Babin
Louisiana Office of Financial
Institutions

Mr. William Mejia
State of California Department of
Business Oversight

Ms. Carol Webb, CEM
Georgia Department of Banking
& Finance

Mr. Christopher R. Pope, CEM
Massachusetts Division of Banks

Mr. Darin Domingue, CEM
Louisiana Office of Financial
Institutions

Ms. Felicia Faison-Holmes, Esq.
CMEM, Georgia Department of
Banking & Finance

Mr. Richard Childers
Florida Office of Financial
Regulation

Mr. Samuel A. Marcum COE
Missouri Division of Finance

Ms. April Becker CME
North Carolina Office of
Commissioner of Banks

Ms. Jill Orrison
North Carolina Office of
Commissioner of Banks

Ms. Lorie Livingston
California Bureau of Real Estate

Appendix G: List of Charts and Figures

- Figure 1. SRR Board of Managers
- Figure 2. Count of State Entities and Licenses in NMLS
- Figure 3. Count of Federal Entities in NMLS
- Figure 4. Annual Growth – Mortgage 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 – State Individuals by Licenses Held
- Figure 8. Annual Growth – MLO Licenses per State
- Figure 9. Actively Registered Federal MLOs by Year
- Figure 10. Actively Registered Institutions by Year
- Figure 11. States Managing MSB License Types in NMLS
- Figure 12. MSB License Numbers and Types by State
- Figure 13. Expansion Industries in NMLS
- Figure 14. Licensing, Registration, and Professional Standards Activity
- Figure 15. NMLS 2.0 Governance
- Figure 16. NMLS 2.0 Guiding Principles
- Figure 17. Sample of User Persona Journey Map
- Figure 18. NMLS 2.0 and SES Development and Launch Schedule
- Figure 19. NMLS 2.0 Engagement Activities
- Figure 20. The Goals of SES
- Figure 21. Call Volume by NMLS User Type
- Figure 22. NMLS Call Center Monthly Inbound Call Volume by Year
- Figure 23. User Satisfaction
- Figure 24. NMLS Users Trained
- Figure 25. Training Sessions Offered
- Figure 26. 2017 NMLS Conference and Training
- Figure 27. NMLS Analytics Tool Usage, Number of Sessions
- Figure 28. NMLS Analytics Tool Usage, Number of Users
- Figure 29. NMLS Policy Committee
- Figure 30. Number of Tests Administered
- Figure 31. National Test with UST Pass Rates by Attempt
- Figure 32. National Test First-Time Pass Rates by Month
- Figure 33. Summary of SRR and MTEB Investigations
- Figure 34. NMLS Approved Education Summary
- Figure 35. PE and CE Requirements
- Figure 36. SRR-NMLS Organizational Chart

Important NMLS Contact Information



PHONE NUMBER

For questions related to NMLS, please contact the NMLS Call Center at 1-855-NMLS-123.

EMAIL

NMLS Ombudsman | (ombudsman@nmls.org)

ADDRESS

State Regulatory Registry LLC | 1129 20th Street N.W., 9th Floor | Washington, DC 20036

WEBSITES

NMLS 2.0

new.nmls.org

NMLS Resource Center

www.nmls.org

NMLS Consumer Access

mortgage.nationwidelicensingsystem.org/about/Pages/NMLSConsumerAccess.aspx

Federal Registry Resource Center

fedregistry.nationwidelicensingsystem.org/Pages/default.aspx

NMLS Call Center

mortgage.nationwidelicensingsystem.org/about/Pages/HoursofOperation.aspx

NMLS B2B Access

mortgage.nationwidelicensingsystem.org/about/Pages/NMLSB2BAccess.aspx

NMLS Annual Conference and Training

www.nmlsconference.org

NMLS Ombudsman

mortgage.nationwidelicensingsystem.org/contact/Pages/Ombudsman.aspx

Criminal Justice Information Services (CJIS) Security Policy

www.fbi.gov/services/cjis/cjis-security-policy-resource-center

NMLS Privacy, Data Security and Security Breach Notification Policy

https://mortgage.nationwidelicensingsystem.org/about/policies/Pages/SystemPrivacyPolicy_old.aspx

CSBS

www.csbs.org

Twitter

@NMLSInfo

STATE REGULATORY REGISTRY LLC

1129 20th Street, N.W. 9th Floor | Washington, D.C. 20036
202.296.2840



STATE REGULATORY REGISTRY LLC

Audited Financial Statements
STATE REGULATORY REGISTRY LLC
December 31, 2017

State Regulatory Registry LLC

Contents

<i>Independent Auditor's Report</i>	1
<i>Financial Statements</i>	
Statements of financial condition	2
Statements of operations and owner's equity	3
Statements of cash flows	4
Notes to the financial statements	5 - 10

T A T E



TRYON

A Professional Corporation

Certified Public

Accountants

and Consultants

Independent Auditor's Report

To the Board of Managers
State Regulatory Registry LLC

We have audited the accompanying financial statements of State Regulatory Registry LLC (SRR), a limited liability company whose sole member is the Conference of State Bank Supervisors, Inc., which comprise the statements of financial condition as of December 31, 2017 and 2016, and the related statements of operations and owner's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SRR's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SRR's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Regulatory Registry LLC as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Washington, DC
April 18, 2018

2021 L STREET, NW

SUITE 400

WASHINGTON, DC

20036

TELEPHONE

202/293-2200

FACSIMILE

202/293-2208

State Regulatory Registry LLC

Statements of Financial Condition

<i>December 31,</i>	2017	2016
Assets		
Cash and cash equivalents	\$ 56,376,308	\$ 49,309,831
Accounts receivable	606,576	493,578
Investments	58,327,132	55,016,507
Prepaid expenses and other	114,192	335,727
Due from related parties, net	240,152	111,019
NMLS development costs, net	22,043,364	13,674,655
Capitalized test development costs, net	11,818	59,092
Total assets	\$ 137,719,542	\$ 119,000,409
Liabilities and Owner's Equity		
Liabilities		
Accounts payable and accrued expenses	\$ 5,879,001	\$ 4,500,459
Deferred revenue	1,048,684	1,005,744
Total liabilities	6,927,685	5,506,203
Owner's equity		
Retained earnings - undesignated	22,055,182	13,733,748
Retained earnings - designated for reserves and development	108,736,675	99,760,458
Total owner's equity	130,791,857	113,494,206
Total liabilities and owner's equity	\$ 137,719,542	\$ 119,000,409

See notes to the financial statements.

State Regulatory Registry LLC

Statements of Operations and Owner's Equity Year ended December 31, 2017

(With comparative totals for the year ended December 31, 2016)

	2017		2017	2016
	Operations (Undesignated)	Designated for reserves and development		
Revenue				
NMLS processing fees	\$ 44,504,563	\$ 6,229,943	\$ 50,734,506	\$ 47,812,495
NMLS professional services	19,618,436	2,746,274	22,364,710	22,575,041
Registration fees	258,196		258,196	595,122
NMLS state development contributions			-	1,000
Net investment income	3,490,709		3,490,709	1,951,686
Total revenue	67,871,904	8,976,217	76,848,121	72,935,344
Expenses				
Program expenses				
NMLS system operations	13,561,479		13,561,479	13,768,751
NMLS professional services	10,769,669		10,769,669	11,609,168
NMLS - call center	3,805,441		3,805,441	3,719,231
Professional services - legal, audit & other	7,442,332		7,442,332	4,610,525
Staff, board & member travel/meetings	1,316,997		1,316,997	1,000,834
Grants to Education Foundation	600,000		600,000	639,102
Total program expenses	37,495,918	-	37,495,918	35,347,611
Staffing & administrative expenses				
Salaries and benefits	16,324,773		16,324,773	14,348,298
Technology & general office	3,957,397		3,957,397	3,308,780
Rent and occupancy	1,772,382		1,772,382	1,534,897
Total staffing & administrative expenses	22,054,552	-	22,054,552	19,191,975
Total expenses	59,550,470	-	59,550,470	54,539,586
Change in net assets	8,321,434	8,976,217	17,297,651	18,395,758
Owner's equity, beginning of year	13,733,748	99,760,458	113,494,206	95,098,448
Owner's equity, end of year	\$ 22,055,182	\$ 108,736,675	\$ 130,791,857	\$ 113,494,206

State Regulatory Registry LLC

Statements of Cash Flows

Year Ended December 31,	2017	2016
Cash flows from operating activities		
Net income	\$ 17,297,651	\$ 18,395,758
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,404,683	4,914,851
Gain on investments, net	(2,182,744)	(862,644)
Changes in assets and liabilities:		
Accounts receivable	(112,998)	(192,759)
Prepaid expenses	221,535	89,179
Accounts payable and accrued expenses	1,378,542	(686,325)
Due from related parties	(129,133)	11,538
Deferred revenue	42,940	(33,607)
Total adjustments	3,622,825	3,240,233
Net cash provided by operating activities	20,920,476	21,635,991
Cash flows from investing activities		
Purchases of NMLS systems and development	(12,726,118)	(2,250,804)
Purchases of investments	(1,127,881)	(1,057,228)
Net cash used in investing activities	(13,853,999)	(3,308,032)
Net increase in cash and cash equivalents	7,066,477	18,327,959
Cash and cash equivalents, beginning of year	49,309,831	30,981,872
Cash and cash equivalents, end of year	\$ 56,376,308	\$ 49,309,831

See notes to the financial statements.

State Regulatory Registry LLC

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The State Regulatory Registry LLC (SRR) is a nonprofit entity that operates Nationwide Multistate Licensing System and Registry (NMLS) on behalf of state financial services regulatory agencies. SRR is governed by an eight-member Board of Managers comprised of state banking and financial regulators and a representative of the American Association of Residential Mortgage Regulators (AARMR). The SRR Board of Managers is responsible for all development, operations, and policy matters concerning NMLS.

SRR is a single-member limited liability company owned entirely by the Conference of State Bank Supervisors, Inc. (the Conference) and is therefore, consolidated with the Conference and its affiliates. The Conference was founded in 1902 as a nonprofit organization. The primary purpose of the Conference is to assure the ability of each state banking authority to provide safe, sound, and well-regulated financial institutions to meet the unique financial needs of local economies and their citizens. Its members are public entities who charter, regulate, and supervise state-chartered banks of the United States. State bankers are also members.

NMLS is a web-based system that allows state-licensed non-depository companies, branches, and individuals in the mortgage, consumer lending, money services businesses, and debt collection industries to apply for, amend, update, or renew a license online for all participating state agencies using a single set of uniform applications. Mortgage loan originators employed by insured depository institutions are also registered through NMLS. NMLS brings greater uniformity and transparency to these non-depository financial services industries while maintaining and strengthening the ability of state regulators to monitor these industries and protect their citizens. NMLS began operation on January 2, 2008. All individual mortgage loan originators are represented in the system.

Income taxes: As a single-member limited liability company, SRR is treated as a disregarded entity for income tax purposes. Thus, SRR's financial activity is reported in conjunction with the Federal income tax filings of the Conference.

Basis of accounting: SRR prepares its financial statements on the accrual basis of accounting. As such, revenue is recognized when earned and expenses when the underlying obligations are incurred.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

Cash and cash equivalents: For financial statement purposes, SRR considers all highly liquid investments with an original maturity of three months or less that are not held in investment accounts to be cash equivalents.

State Regulatory Registry LLC

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts receivable: Accounts receivable consist primarily of NMLS processing fees for system transactions pending final processing by the bank, education course and credit banking fees, and registration fees for user training courses. Accounts receivable are presented at the net amount due to SRR (i.e., gross amount less allowance, if any). SRR's management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, SRR's relationship with the customer, and the age of the receivable balance. SRR has established an allowance for doubtful accounts to estimate the portion of receivables that will not be collected. The allowance was less than \$1,000 as of each December 31, 2017 and 2016. This allowance is regularly reviewed by management.

Deferred revenue: Deferred revenue consists of NMLS processing fees paid in advance to SRR by participating third parties.

Owner's equity: SRR has designated a portion of its owner's equity as a reserve for the continued future maintenance and upgrading of NMLS.

Subsequent events: Subsequent events have been evaluated through April 18, 2018 which is the date the financial statements were available to be issued.

B. CREDIT AND MARKET RISK

Cash: SRR maintains demand deposits and overnight treasury fund sweep accounts with commercial banks. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. SRR has not experienced any such losses in the past, and does not believe it is exposed to any significant financial risk on these cash balances.

Investments: SRR invests primarily in mutual funds and exchange-traded funds (ETFs). Such investments are exposed to market and credit risks. Thus, SRR's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in these financial statements may not be reflective of the portfolio's value during subsequent periods.

State Regulatory Registry LLC

Notes to the Financial Statements

C. INVESTMENTS AND FAIR VALUE MEASUREMENTS

SRR has implemented the accounting standard regarding fair value measurements. The standard defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

The following is a summary of the input levels used to determine fair values, measured on a recurring basis, of the investment assets at December 31, 2017 and 2016:

2017	Total	Level 1	Level 2	Level 3
Equity mutual funds & ETFs	\$ 12,087,854	\$ 12,087,854	\$ -	\$ -
Fixed income mutual funds & ETFs	46,157,100	46,157,100		
Assets carried at fair value	58,244,954	\$ 58,244,954	\$ -	\$ -
Money market funds & cash*	82,178			
Total investments	\$ 58,327,132			

2016	Total	Level 1	Level 2	Level 3
Equity mutual funds & ETFs	\$ 9,880,203	\$ 9,880,203	\$ -	\$ -
Fixed income mutual funds & ETFs	45,125,784	45,125,784		
Assets carried at fair value	55,005,987	\$ 55,005,987	\$ -	\$ -
Money market funds & cash*	10,520			
Total investments	\$ 55,016,507			

*Money market funds and cash included in the investment portfolio are not subject to the provisions of fair value measurements as they are recorded at cost.

Investments consist of the following at December 31,:

	2017	2016
Fixed income mutual funds	\$ 26,148,178	\$ 25,790,265
Bond market ETFs	20,008,922	19,335,519
Equity mutual funds	10,555,028	8,428,777
Equity ETFs	1,532,826	1,451,426
Money market funds and cash	82,178	10,520
Total investments	\$ 58,327,132	\$ 55,016,507

State Regulatory Registry LLC

Notes to the Financial Statements

C. INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Investment income consists of the following for the years ended December 31,:

	2017	2016
Dividends and interest	\$ 1,307,965	\$ 1,089,042
Net gain on investments	<u>2,182,744</u>	<u>862,644</u>
Net investment income	<u>\$ 3,490,709</u>	<u>\$ 1,951,686</u>

D. RELATED PARTY TRANSACTIONS

Due to/from related party – CSBS Education Foundation: At December 31, 2017 and 2016, SRR owed CSBS Education Foundation (the Foundation) \$37,480 and \$27,155, respectively, for expenses paid by the Foundation on SRR's behalf.

Due to/from related party – CSBS: Since 2007, the Boards of the Conference and SRR have orally agreed to allow certain expenses to be paid by the Conference as an administrative convenience to SRR. In addition, SRR may incur certain costs on behalf of the Conference. The Conference reimburses SRR for these costs. The total amount due from the Conference, net of amounts owed by SRR for accrued liabilities, was \$277,632 and \$138,174 at December 31, 2017 and 2016, respectively.

Grant to affiliate: For the years ended December 31, 2017 and 2016, SRR made unconditional grants to the Foundation of \$600,000 and \$639,102, respectively.

Expense allocations: The Conference pays the payroll costs of the employees allocated to SRR and certain other costs. Benefit costs, such as health insurance premiums and retirement plan costs, are allocated on the basis of each department's or entity's percentage of total salaries. As a result of SRR's share of this allocation, the Conference allocated \$2,302,066 and \$1,958,034 of its benefit costs to SRR for the years ended December 31, 2017 and 2016, respectively. Administrative and overhead costs, such as rent for SRR's portion of office space, are allocated on the basis of the percentage of office space each department's or entity's employees occupy at the Conference's DC offices.

The Conference performs services related to non-depository activities on behalf of SRR. Costs allocated to SRR for these services were \$900,000 and \$550,000 for the years ended December 31, 2017 and 2016, respectively.

Total costs allocated by the Conference to SRR were as follows for the years ended December 31,:

	2017	2016
Salaries and benefits	\$ 6,260,570	\$ 5,615,883
Rent and occupancy	1,772,383	1,534,897
Overhead and administrative services	<u>7,412,152</u>	<u>3,222,837</u>
Total allocated costs	<u>\$ 15,445,105</u>	<u>\$ 10,373,617</u>

State Regulatory Registry LLC

Notes to the Financial Statements

E. NMLS DEVELOPMENT COSTS

Acquisitions of property and equipment greater than \$5,000 are recorded at cost. The capitalized development costs of NMLS began amortizing when the system went live on January 2, 2008, and they were being amortized over the system's estimated useful life of seven years. The capitalized development costs of each subsequent update release version begins amortizing when the release becomes operational, and will be amortized over the estimated useful lives of each release, which are also determined to be seven years.

The capitalized purchase costs of the Cogent Background Check Automation System began amortizing when the system became operational in January 2010, and was amortized over a five year term. During the years ended December 31, 2017 and 2016, SRR recognized \$4,357,409 and \$4,851,722, respectively, of amortization expense related to capitalized software costs.

Net property and equipment consisted of the following at December 31,:

	2017	2016
NMLS development	\$ 59,456,381	\$ 46,730,263
Cogent Background Check Automation System	505,838	505,838
	<u>59,962,219</u>	<u>47,236,101</u>
Less accumulated amortization	(37,918,855)	(33,561,446)
Total property and equipment, net	<u>\$ 22,043,364</u>	<u>\$ 13,674,655</u>

F. CAPITALIZED TEST DEVELOPMENT COSTS

In order to address provisions of the Secure and Fair Enforcement of Mortgage Licensing Act of 2008, SRR developed a national test component as well as state-specific test components which all state-licensed mortgage loan originators registering on NMLS are required to take. SRR is amortizing these test development costs over an estimated useful life of five years. During the years ended December 31, 2017 and 2016, SRR recognized \$47,274 and \$63,129, respectively, of amortization expense.

Net capitalized test development costs consisted of the following at December 31,:

	2017	2016
National test component	\$ 633,595	\$ 633,595
State-specific test components	376,047	376,047
	<u>1,009,642</u>	<u>1,009,642</u>
Less accumulated amortization	(997,824)	(950,550)
Total capitalized test development costs, net	<u>\$ 11,818</u>	<u>\$ 59,092</u>

State Regulatory Registry LLC

Notes to the Financial Statements

G. COMMITMENTS AND CONTINGENCIES

Vendor relationship: The development of NMLS and its update releases is performed by FINRA. FINRA is also contracted to provide 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 SRR.

NMLS 2.0 development: In March 2017, the Boards of SRR and CSBS approved a contract for the development of NMLS 2.0, a redesign of the NMLS that will incorporate the latest technology and streamline the license approval process. The redesign of the NMLS is being performed by PwC and the services performed by FINRA will be gradually phased out. Budgeted expenditures range between \$42 million and \$50 million and the project is expected to be completed over several years.

H. RESERVES

In May 2014, SRR established a formal reserve policy. The primary purposes of the reserves are to ensure that SRR is financially prepared to meet the needs for planned system enhancements as well as uninsurable risks. Reserves are defined as unrestricted net assets less investments in items such as NMLS development costs and capitalized test development costs. Thus, the reserve balance at December 31, 2017 and 2016 was \$108,736,675 and \$99,760,458, respectively.