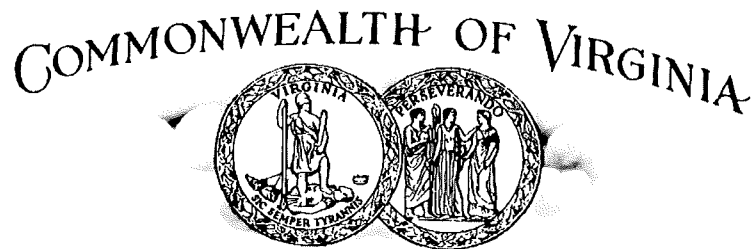


E. J. FACE, JR.
COMMISSIONER OF
FINANCIAL INSTITUTIONS



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**STATE CORPORATION COMMISSION
BUREAU OF FINANCIAL INSTITUTIONS**

June 22, 2021

TO: The Honorable Richard L. Saslaw, Chair,
Senate Committee on Commerce and
Labor
The Honorable Jeion A. Ward, Chair,
House Committee on Labor and
Commerce

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,

E. J. Face, Jr.

cc: Members Senate Commerce and Labor Committee
Members House Labor and Commerce Committee



Report on the Operations
of
State Regulatory Registry LLC

Prepared by the Bureau of Financial Institutions
State Corporation Commission

June 22, 2021

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2020 Annual Report—State Regulatory Registry LLC
2020 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 (“Code”), 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;
- 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 SRR on a regular basis.

On behalf of the Commission, its Bureau of Financial Institutions (“Bureau”) is pleased to submit this report on the 2020 operations of SRR and the Nationwide Multistate Licensing System and Registry (“NMLS”).

SRR is a non-profit subsidiary of the Conference of State Bank Supervisors (“CSBS”), a national organization which advances the quality and effectiveness of regulation and supervision of state banking and financial services. SRR operates the NMLS on behalf of state financial services regulatory agencies and carries out mortgage loan originator (“MLO”) testing and education requirements under the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (“SAFE Act”). Through NMLS, SRR supports the strategic goals of CSBS’ members by assisting state agencies in consumer protections and supervision of non-depository financial service industries by providing technological resources and information on a nationwide basis. 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.

The impact of COVID-19 coupled with a dramatic surge in test administrations presented a unique set of challenges in 2020 for SRR. In March, all testing centers were closed abruptly, and all test administrations halted. SRR's testing and education staff worked with its testing vendors and its approved course providers to quickly find solutions to these unusual conditions. During 2020, over 67,000 MLO test components were administered by SRR. At the end of 2020, NMLS was the licensing system of record for 64 state and territorial agencies, managing a total of 508 different license authorities covering a broad range of non-depository financial services. In 2020, 8,428 individuals applied to be licensed as MLOs in the Commonwealth after taking and passing the National Multistate Licensing System Loan Officer exam ("National Test") and 7,004 of those individuals were approved for licensure.

As of December 31, 2020, SRR reported audited total assets of \$190.4 million and net income of \$11.9 million. The certified public accounting firm of RSM US LLP issued a "Clean" or Unqualified Opinion of SRR, and the financial statements and budgets appear to be accurate and reasonable. The Bureau does not take issue with the disclosures therein.

In addition, SRR did not experience any material issues related to NMLS security, privacy, or information breach in 2020, nor was it subject to any significant litigation in 2020.

INTRODUCTION

In accordance with the § 6.2-1720 D of the Code, the Bureau offers the following report of its review of SRR and NMLS for 2020.

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 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 financial industry 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 residential mortgages in the United States.

The most common transactions performed through NMLS are testing for new license applications, and the processing of license amendments and license renewals. An amendment occurs each time a licensee or registrant's record is updated, whereas renewals are submitted annually. NMLS also serves as the vehicle for scheduling education, administering the National Test and maintaining all state licensed MLO test and course completion records.

NMLS launched with seven states on January 2, 2008, and the Bureau began utilizing 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, 2020, Virginia had 20,184 MLOs in the approved status and 2,586 MLOs in the approved-inactive status through NMLS, as well as 473 mortgage lender licenses, 771 mortgage broker licenses and 2,804 branch licenses 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 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 acquired responsibility for the NMLS development contract between SRR and the federal agencies for use of the NMLS to register depository MLOs.

NMLS ACTIVITY IN 2020

At the end of 2020, 64 state and territorial agencies were using NMLS. Fifty-nine of those agencies use NMLS for mortgage licensing, while 55 agencies use NMLS to manage licensing for other non-depository entities (e.g., money service businesses and consumer finance). Virginia uses NMLS to manage licensing for: MLOs, mortgage lenders, mortgage brokers, money transmitters, money order sellers and, most recently, qualified education loan servicers.

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 updated continually with system news and event items, as well as state agency news that affects industry licensees.

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 to provide real-time help in navigating NMLS. The call center received a total of 549,000 calls in 2020 and responded to an average of 2,170 calls per day.

NMLS Consumer Access is a searchable website that allows consumers to view and search for information on companies, branches and individuals who are state-licensed or federally registered in NMLS. Data available through NMLS Consumer Access includes identifying information for each individual or entity, details of registrations held, and any applicable regulatory actions taken. This free service is a consumer resource that contains information on virtually all mortgage loan originators operating in the United States and state-licensed or federally registered companies in NMLS.

Other NMLS notable events in 2020 were:

- Launched the State Examination System (SES) nationwide in March. As of year-end, 29 state agencies are using SES-the only nationwide system that connects agencies and companies in the examination process.
- Over 67,000 MLO test components were administered. In addition, there were 104 approved course providers who delivered over 3.5 million hours of education through more than 1,987 NMLS-approved courses.
- More than 760 state agency and industry professionals attended the 2020 Annual Conference, February 18-21, in San Francisco, California. Regulators and industry

had opportunities to network, share ideas and attend breakout sessions to learn of developments for NMLS Modernization and SES.

- Implemented the SES Consumer Complaints feature in September, following successful completion of a pilot phase. This feature allows state agencies to enter, process and track complaints; and connect complaints to other supervisory activities in SES.
- The Learning and Development team transitioned to the new FLEX learning management system, in which CSBS members and staff have been able to successfully access courses and content throughout the year.

An additional NMLS highlight in 2020 was NMLS Modernization - an ongoing process to develop next generation multi-state licensing and supervisory technology system to accommodate the evolving needs of the state system of financial regulation.

EDUCATION AND TESTING

The SAFE Act established many education and testing 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. Over 67,000 test components were administered in 2020 (an increase of nearly 42% from the previous year). The following chart provides National Test with Uniform State Content data from January 1, 2019 through December 31, 2020.

**National Test with Uniform State Content
Pass Rates by Attempt
January 1, 2019 through December 31, 2020**

	Tests Taken	Tests Passed	Pass Rate %
First Time	75,685	43,578	58
Subsequent Attempts	30,353	13,349	44
Overall	106,038	56,927	54

In 2020, over 224,700 state licensed MLOs and MLO applicants completed more than 2.4 million hours of education. Seventy-four percent of MLOs completed their annual continuing education online, an increase of 2% from 2019. At the end of 2020, there were 104 NMLS-approved course providers.

NATIONWIDE MORTGAGE LICENSING SYSTEM AND REGISTRY FEES

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 NMLS test fee is charged to an individual who enrolls to take the SAFE MLO National Test or by the company that may be enrolling its MLOs for the test. The fee for the

National Test with Uniform State Content is \$110 and the test contains 125 questions with a duration time of 225 minutes.

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 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 2020, over 175,000 authorizations for credit reports and over 276,000 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 (FISMA) 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.

AUDITED FINANCIAL STATEMENTS AND BUDGET

As of December 31, 2020, SRR reported audited total assets of \$190.4 million (compared to \$169.8 million at the end of 2019), owner's equity of \$170.2 million (compared to \$158.2 million at the end of 2019), and net income of \$11.9 million (compared to \$14.7 million for 2019). The CPA firm of RSM US LLP of Washington, D.C., prepared the Audited Consolidated Financial Statements for the Conference of State Bank Supervisors, Inc. and Affiliates, including SRR. RSM US 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 represented that the development of NMLS and its system updates are performed by the Financial Industry Regulatory Authority ("FINRA"). FINRA is a non-profit organization authorized by the Congress of the United States dedicated to investor protection and securities market integrity. FINRA is also contracted to provide development support for NMLS's education and testing components that assists SRR operations.

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 countless hours 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 the valuable insight industry working group participants provide.

At the end of 2020, SRR had 51 full-time equivalent staff, located primarily in Washington, D.C. These professionals work to develop, enhance and operate NMLS, oversee SAFE Act compliance and administer the education and testing programs. SRR staff also manage relationships with state and federal regulators, and industry working groups related to state licensing, federal registration, supervision and NMLS policy.

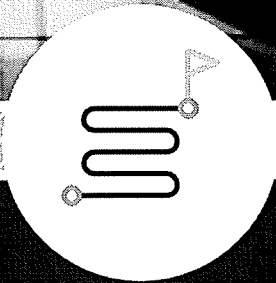
Looking ahead, 2021 will continue to include significant financial investments in technology with the development of a modernized NMLS with new and enhanced system functionality. SRR's long-range plan indicates that an appropriate financial reserve is essential in funding the ongoing development, operation and maintenance of NMLS as mandated by the SAFE Act, as well as to 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.

ATTACHMENT

State Regulatory Registry LLC
2020 Annual Report



STATE REGULATORY REGISTRY LLC



CREATING A PATH TO MODERNIZATION

2020 Annual Report



BUILDING A FOUNDATION FOR THE FUTURE

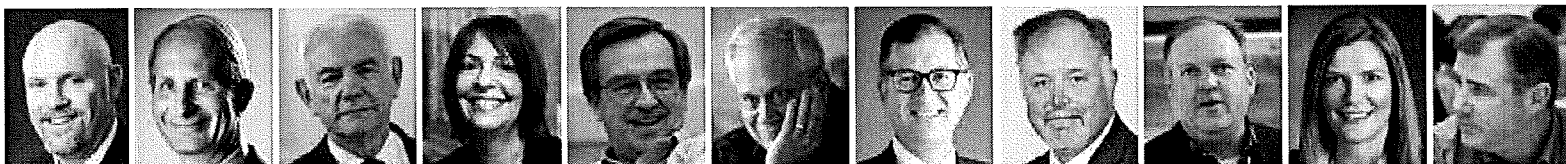
2020 Annual Report

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LETTER FROM THE SRR BOARD OF MANAGERS

Figure 1. SRR Board of Managers: Albert Forikner, Bill Matthews, Charles Cooper, Cynthia Begin, Ed Leary, John Ducrest, John Ryan, Kevin Allard, Kevin Hagler, Lise Kruse, Tony Florence



The Board of Managers is pleased to present the 13th annual report of the State Regulatory Registry LLC (SRR¹) and the NMLS Program operations and performance in 2020. The Program includes the Nationwide Multistate Licensing System (NMLS[®] or the System) and the State Examination System (SES).

This year has been a defining year for SRR as we accomplished highly anticipated goals in our commitment to carry out CSBS strategic objectives. Stemming from what was known as CSBS “Vision 2020,” we have been focused on improving our technology systems and increasing coordination with one another for the benefit of state financial regulation.

This year has also been transformative. Our vision has evolved into something new: “Networked Supervision,” a set of uniform strategies that will guide us as we shape the future of nonbank supervision — through technology, data and our workforce. This annual report entitled, “Creating a Path to Modernization,” highlights important work we have started and provides insight into where we are going.

For example, we started 2020 by launching SES. This new system marks the first time that state agencies have a single, nationwide uniform system that allows them to manage the examination process for companies they supervise. The fact that SES lets agencies share information with one other, streamlines the exam process, and reduces the regulatory burden to companies is a significant advancement in nonbank supervision. It is also a very clear example of how we are building and leveraging technology to achieve Networked Supervision.

SES also supports Networked Supervision by allowing state agencies to share and coordinate their examination schedules as an effort to limit the number of exams taking conducted by multiple agencies; and facilitating post-exam information and report sharing. Further, the “one company, one exam” approach we have initiated — first with money services businesses (MSB) and soon with the mortgage industry — is allowing state agencies to put Networked Supervision into practice. With the “one company, one exam” approach, one state agency will lead the examination team for a given company joined by examiners for other states. Once complete, the exam will be available for the other state agencies that were not involved in the process to accept the results of the exam.

SES reached another milestone this year. In October, the new SES Consumer Complaints feature was introduced, following successful completion of a pilot phase. As of the end of December, 29 state agencies are using SES, with more agencies already in the pipeline to adopt the new system.

We also started the process for NMLS Modernization this year. The MSB industry will be the first industry to transition to the new system. The modernized NMLS will include a single source of standardized data that all regulators require. The system will also support interdependent reviews by state agencies based on uniform standards that allow agencies to rely on one another’s work, eliminating redundancies. In addition, state agencies will use common nationwide licensure and compliance thresholds to regulate specific industries. The modernized NMLS will also use data to automate processes, identify risks and prioritize resources.

As state agencies, we have started to engage with one another to determine what requirements we will establish for a new licensing model and what steps we may need to take to get there — whether it is changing internal processes or, in some cases proposing changes to existing state laws.

Lastly, we were met with unprecedented challenges in 2020 due to the COVID-19 pandemic. Again, as state agencies, we supported and provided guidance to one another to ensure we continued operating as smoothly as possible given the financial services industry was deemed an essential industry. We implemented operational procedures and created rapid policy solutions to provide licensees alternatives for meeting certain licensing requirements.

For example, we extended test enrollment windows to 180 days for new and existing mortgage loan originators (MLOs) impacted by test center closures. Then, a few months later we established online proctoring as an alternative for MLO test candidates — a solution that will remain in place for the foreseeable future. We extended fingerprint windows by 60 days, providing a total of 240 days, for MLO applicants and other licensees who were not able to complete the fingerprinting process due to fingerprinting site closures. In response to inquiries from industry, we also began a healthy dialogue about the future of remote work, and how we balance current laws and policies with changing work environments and consumer protection. Further, the NMLS Call Center maintained 100 percent operating capacity, allowing uninterrupted support to NMLS state agency and industry users.

As we end the year, we are pleased to share the fact that of the 64 state agencies on NMLS, 59 use NMLS for mortgage licensing, while 55 use the system to manage licensing for other nonbank entities (e.g., MSB, consumer finance and debt). Despite challenges facing state agencies and industry this year, NMLS proved invaluable for an increasing number of licensees and greater reliance on a remote workforce.

We look forward to engaging with you virtually for the 2021 NMLS Annual Conference & Training, February 23 – 26, 2021. The event will be online for the first time ever.

Sincerely,

The Board of Managers
State Regulatory Registry LLC

SRR Board of Managers

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Commissioner
Wyoming Division of
Banking

Ms. Cynthia Begin
First Deputy
Commissioner
Massachusetts Division
of Banks

VICE CHAIRMAN

Mr. Charles Cooper
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Texas Department
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Mr. Tony Florence
Director of Mortgage
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Savings and Mortgage
Lending
(AARMR Representative)

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Commissioner
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Mr. Kevin Hagler*
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**Mr. William
Matthews***
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SRR
**Mr. John Ryan,
Secretary***
President and CEO
CSBS

* Non-voting ex-officio members of the Board

¹ SRR 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.

2020 HIGHLIGHTS

State Examination System

Launched SES nationwide in March. As of year-end, 29 state agencies are using SES — the only nationwide system that connects agencies and companies in the examination process. Since launching, SES has had six system releases aimed at continually improving the agency and company user experience.

SES Consumer Complaints

Implemented the SES Consumer Complaints feature in September, following successful completion of a pilot phase with 11 state agencies. The SES Consumer Complaints feature allows state agencies to enter, process and track complaints; and connect complaints to other supervisory activities in SES.

NMLS Modernization

Received feedback from 39 state agencies during the regulator comment period for the Core Requirements Proposal. In December, initiated the regulator comment period for the MSB Business-Specific Requirements Proposal. These efforts reflect milestones on the path to achieving NMLS Modernization. Ninety-two percent of state agencies have indicated their willingness to adopt the Key Individual Wizard.

NMLS Annual Conference & Training

The NMLS Annual Conference & Training was held in San Francisco, California, February 18-21. The event drew more than 760 state regulator and industry attendees — making it the largest NMLS Annual Conference to date. Regulators and industry had opportunities to network, share ideas and attend breakout sessions to find out what was on the horizon for NMLS Modernization and celebrate the launch of SES.

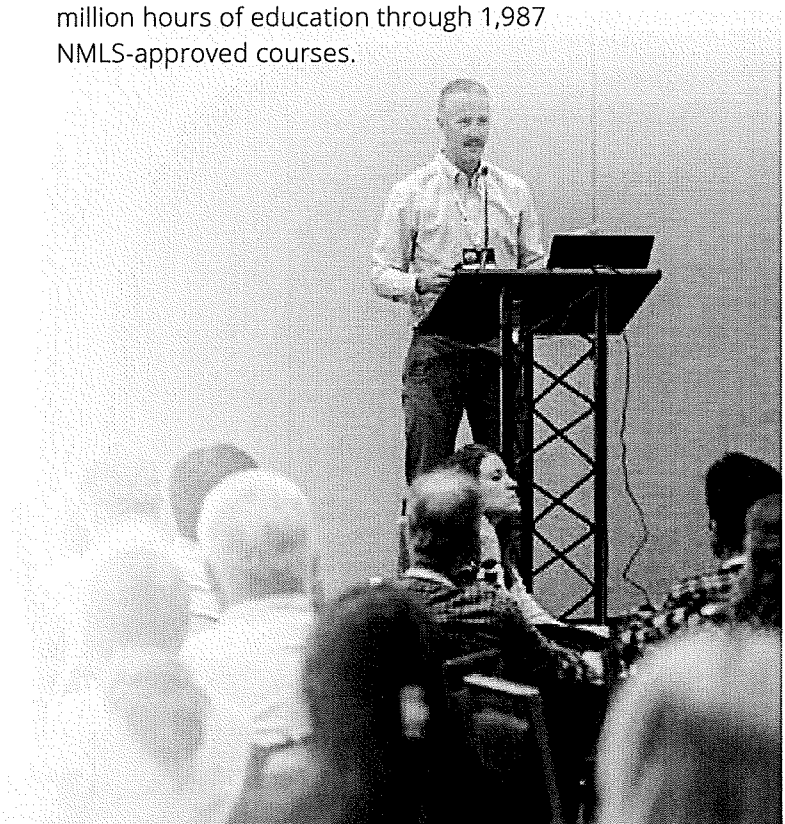
Regulator and Industry Training

The Learning and Development team transitioned to the new FLEX learning management system, in which CSBS members and staff have been able to successfully access courses and content throughout the year. The team also created virtual learning solutions for members and stakeholders in response to the COVID-19 pandemic. More than 50 training programs were delivered to various audiences in support of NMLS and other internal SRR initiatives.

Testing and Education

Worked with SRR vendor to launch online proctored testing for the SAFE MLO Test in September. As of year-end, nearly 4,000 online proctored tests have been delivered, representing approximately 1 in 4 candidates testing online. This solution was created in response to the impact of COVID-19 on test center closures earlier in the year.

More than 67,000 MLO test components were administered in 2020. SRR staff also supervised 104 course providers who delivered over 3.5 million hours of education through 1,987 NMLS-approved courses.



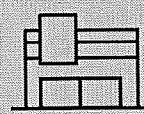
OVERVIEW OF NMLS

NMLS BY THE NUMBERS

At the end of 2020 ...

- 64 State agencies used NMLS to manage at least one license authority. The system serves as the licensing system of record for 64 state agencies.
- 508 Total different license authorities¹ managed covering a broad range of nonbank financial services.
- 24 More than the 484 different license authorities managed at the end of 2019².

As of December 31, NMLS manages:



432

Company



280

Branch



76

Individual

Different license or registration types

NMLS can 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).

FIGURE 2. Count of State Entities and Licenses in NMLS

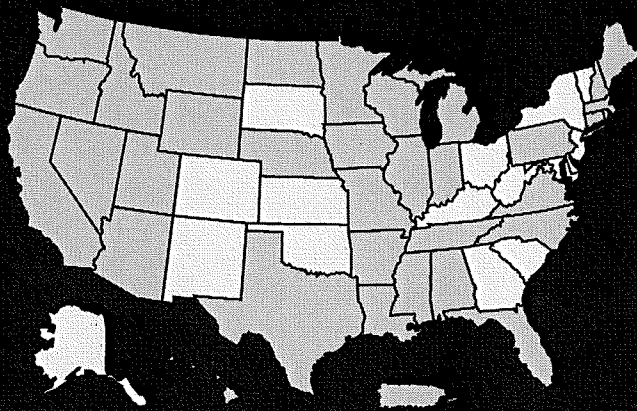
STATE-LICENSED	2018		2019		2020	
	ENTITIES	LICENSES	ENTITIES	LICENSES	ENTITIES	LICENSES
Companies	24,341	65,003	25,425	69,605	27,655	76,911
Branches	34,072	80,593	35,672	86,225	39,738	100,860
Individuals	165,240	594,041	165,116	569,190	183,630	688,327

FIGURE 3. Count of Federal Entities in NMLS

FEDERALLY REGISTERED	2018	2019	2020
Institutions	9,196	8,878	8,512
Individuals	415,517	415,978	399,876

¹ "Authorities" refers to the license programs managed on NMLS. Branch license types are not included in this count.

² Agencies may restructure or retire their license types as necessary. This is typically the cause of the number of licenses decreasing.



During 2020, 17 agencies added an additional 35 license authorities to NMLS:

- Alaska Division of Banking and Securities
- Colorado Division of Banking
- Delaware Office of the State Bank Commissioner
- District of Columbia Department of Insurance Securities and Banking
- Georgia Department of Banking & Finance
- Kansas Office of the State Bank Commissioner
- Kentucky Department of Financial Institutions
- Maryland Commissioner of Financial Regulation
- New Jersey Department of Banking and Insurance
- New Mexico Financial Institutions Division
- New York State Banking Department (State Department of Financial Services)
- Ohio Division of Financial Institutions
- Oklahoma Department of Consumer Credit
- South Carolina State Board of Financial Institutions - Consumer Finance Division
- South Dakota Division of Banking
- Vermont Department of Financial Regulation
- West Virginia Division of Banking

In 2020, with their Money Transmitter License, Colorado Division of Banking became the 64th state agency to begin using NMLS to manage license authorities on NMLS.

In addition to being a state licensing system for nonbank financial services businesses, NMLS operates a registry (known as “NMLS Federal Registry” or “Registry”) of federally regulated depository institutions and subsidiaries, and mortgage loan originators (MLOs) who are required by federal law to register in NMLS prior to originating mortgages.

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 nonbank, and individuals authorized in the United States to originate mortgages³. Since state agencies began expanding their use of NMLS to include additional financial services industries, the system has been moving toward the ability to provide a national perspective on these other industries. The following sections highlight the industry-specific financial information available in NMLS.

State Mortgage Licensing

This year all states, the District of Columbia, Puerto Rico, Guam and the U.S. Virgin Islands continued using 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. SRR publishes quarterly reports that compile data on state-licensed companies, branches and MLOs. These reports are available on the [Reports page](#) of the NMLS Resource Center.

Figure 4 compares the growth in entities to the number of licenses issued throughout the year, while Figure 5 shows the average number of licenses held per MLO.

⁴ Texas Office of Consumer Credit Commissioner is the only state agency that does not currently manage mortgage company licenses in NMLS.

FIGURE 4. Annual Growth - Mortgage Companies vs Licenses

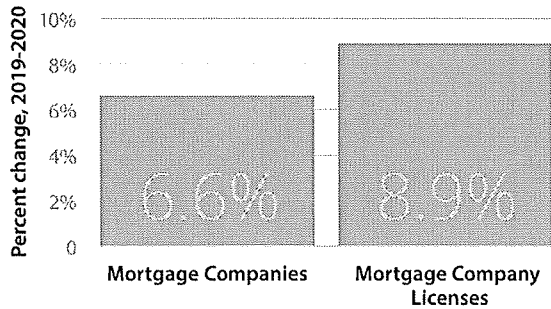
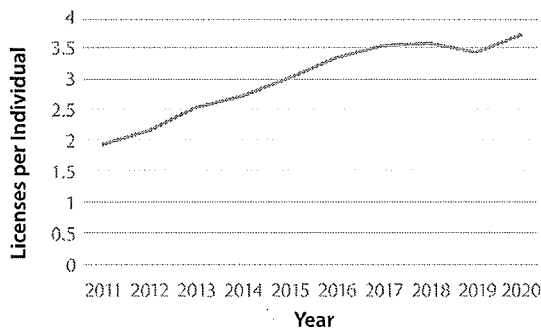


FIGURE 5. Annual Growth - Average Number of Licenses Per MLO



In 2020, all segments of companies and individual grew. Individuals licensed in 6-10 states grew by 49 percent. (Figures 6 and 7).

Figure 8 depicts the percentage of net growth in MLO licenses around the United States. Alaska, Iowa, Maine, North Dakota and South Dakota experienced the greatest increase in MLO growth.

2020 was the first full year since the implementation of Temporary Authority to Operate (TA) in NMLS. TA is a streamlined licensing approach that enables eligible federally registered MLOs seeking state licensure, and eligible state-licensed MLOs seeking licensure in another state to continue originating loans for up to 120 days, while completing any state-

specific requirements for licensure. Thirty-eight percent of 2020 MLO state license applications were eligible for TA (Figure 9).

Federal Mortgage Registration

Over the course of 2020, the number of actively registered MLOs both decreased by 4 percent with 399,876 individuals employed by 8,512 institutions (Figures 10 and 11). The number of institutions declined for the eighth year straight.

SRR also publishes quarterly reports that detail the number of federal registrants, MLO locations and a breakdown of NMLS-registered institutions

FIGURE 6. Annual Growth - Company Licenses Held

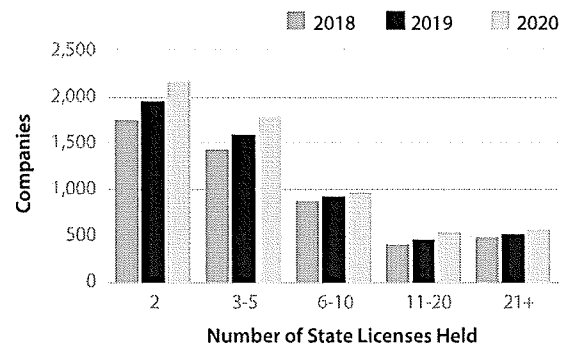


FIGURE 7. Annual Growth - State Individuals by Licenses Held

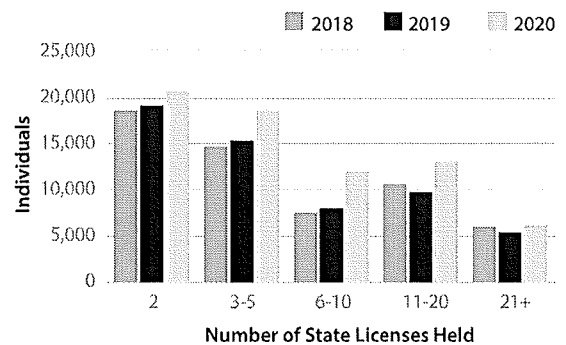


FIGURE 8. Net Growth - MLO Licenses Per State

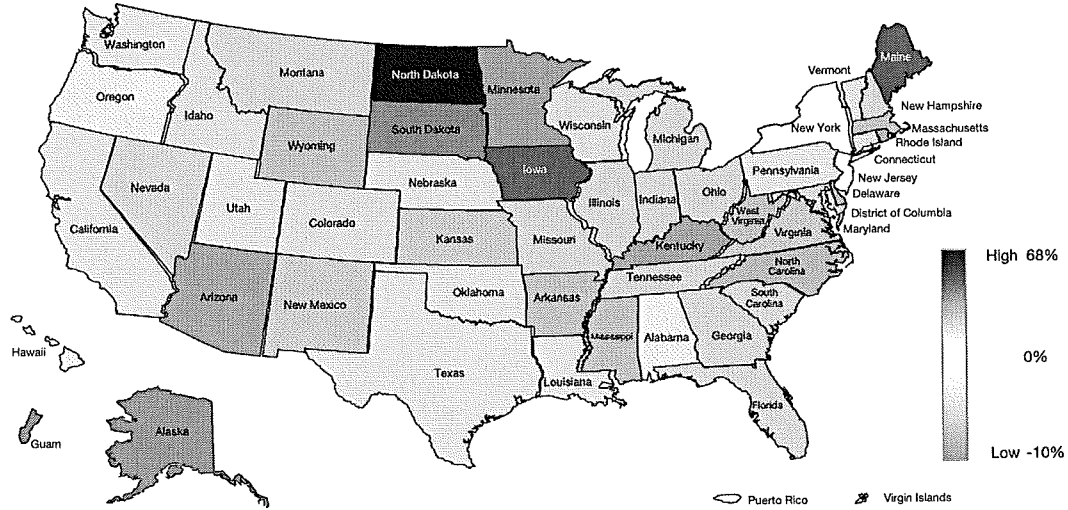


Figure 9. MLO State Applications TA Eligibility

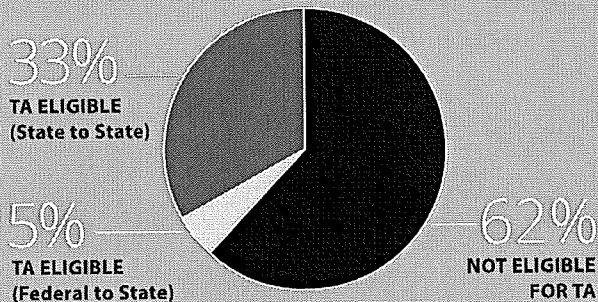


FIGURE 10. Actively Registered Federal MLOs By Year

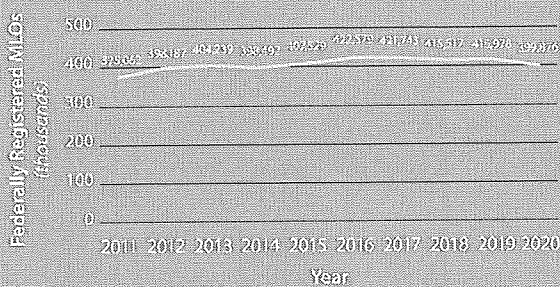
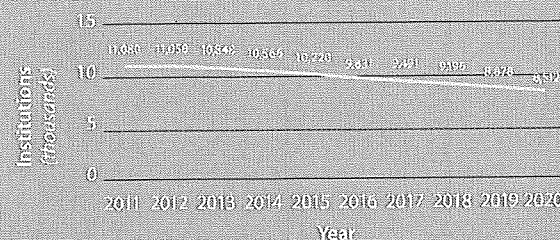


FIGURE 11. Actively Registered Federal Institutions by Year



by specific federal regulator. These reports can be found on the [Reports page](#) of the NMLS Resource Center.

Money Services Businesses

In 2020, there was continued adoption of NMLS for money services businesses (MSB) licensing. Six agencies transitioned seven MSB license authorities onto NMLS. As of year-end 2020, 49 agencies manage MSB licenses in NMLS (Figure 12). Over 2,850 companies hold over 9,026 approved MSB licenses in NMLS. Financial services categorized as MSB activities in NMLS include:

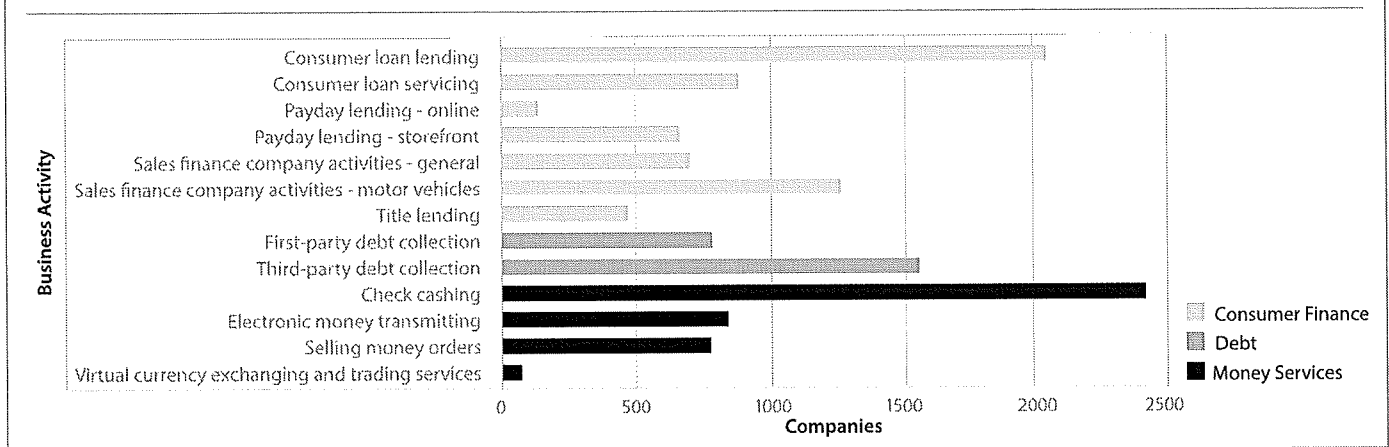
- Money transmission
- Check cashing
- Issuing or selling travelers checks
- Issuing or selling drafts
- Foreign currency dealing and exchange
- Issuing or selling money orders
- Bill paying
- Transporting currency
- Issuing or selling prepaid access/stored value products

Figure 13 provides a detailed breakdown of money transmitters in NMLS and their agents reported

FIGURE 13. MSB License Numbers and Types by State

STATE AGENCY	LICENSE DESCRIPTION	APPROVED LICENSES	STATE AGENCY	LICENSE DESCRIPTION	APPROVED LICENSES
AK	Currency Exchange License	0	ND	Money Transmitter License	142
AK	Money Transmitter License	127	NE	Money Transmitter License	135
AL-SC	Money Transmitter License	173	NH	Money Transmitter License	128
AR	Currency Exchanger	3	NM	Currency Exchange License	1
AR	Money Transmitter License	142	NM	Check Cashier License	20
AZ	Money Transmitter License	151	NM	Money Transmission License	143
CA-DFPI	Money Transmitter License	112	NY	Check Cashier Company License	1
CO-DOB	Money Transmitters License	101	NY	Commercial Check Cashier Company License	1
CT	Check Cashing License	57	NY	Virtual Currency Business Activity Company License	5
CT	Money Transmission License	148	NY	Money Transmitter License	107
DC	Check Cashier License	34	OH	Check-Cashing License	75
DC	Money Transmitter License	137	OH	Money Transmitter License	153
DE	Check Seller, Money Transmitter License	130	OK-DOB	Money Transmission License	138
GA	Seller of Payment Instruments License	101	OR	Money Transmitter License	170
GA	Money Transmitter License	112	PA	Retail Grocery Store Check Cashier License	78
GA	Check Cashier License	820	PA	Money Transmitter	120
HI	Money Transmitter License	76	PA	Check Cashier License	188
IA	Money Services License	162	PR	Money Transmitter License	70
ID	Money Transmitters	138	RI	Sales of Checks	0
IL	Money Transmitter License	205	RI	Electronic Money Transfers	2
IN-DFI	Money Transmitter License	80	RI	Check Cashier License	19
KS	Money Transmitter License	154	RI	Currency Transmitter	133
KY	Check Cashing	2	SC-AG	Currency Exchange License	1
KY	Money Transmitter License	128	SC-AG	Money Transmitter License	140
LA	Sale of Checks and Money Transmitters	119	SC-BFI	Level I Check Cashing - Company License	12
LA	Check Cashier License	366	SC-BFI	Level II Check Cashing - Company License	197
MA	Check Seller	21	SD	Money Transmitter License	144
MA	Check Cashier	59	TN	Check Cashier License	98
MA	Foreign Transmittal Agency	74	TN	Money Transmitter License	157
MD	Licensed Check Cashier--Principal Executive Office Designation (No Activity)	6	TX-DOB	Money Transmitter License	146
MD	Check Cashier Registration	7	UT-DFI	Money Transmitter License	121
MD	Check Cashing Services License	143	VA	Money Order Seller and Money Transmitter License	121
MD	Money Transmitter License	167	VT	Check Cashing and Currency Exchange	4
ME	Money Transmitter License	122	VT	Debt Adjuster	23
MI	Money Transmitter License	138	VT	Money Transmitter	120
MN	Currency Exchange Registration	2	WA	Currency Exchange (only)	8
MN	Currency Exchange License	18	WA	Check Cashier with Small Loan Endorsement	20
MN	Money Transmitter License	153	WA	Check Cashier	75
MO	Sale of Checks and Money Transmitter License	152	WA	Money Transmitter (includes Currency Exchange)	218
MS	Check Cashing Company Registration	27	WI	Seller of Checks	83
MS	Check Cashing Company License	105	WV	Fintech	0
MS	Money Transmitter License	132	WV	Money Transmitter License	119
NC	Money Transmitter License	138	WY	Money Transmitter License	96

FIGURE 14. Expansion Industries 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 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. The system 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 these funds to the regulatory agencies. Figure 15 highlights the registration, licensing and professional standards activity that occurred in NMLS over the past few years for licensed or registered companies, institutions, branches and MLOs.

Figure 15. Licensing, Registration and Professional Standards Activity

STATE LICENSING ACTIVITIES	2014	2015	2016	2017	2018	2019	2020
New Application Request	133,765	157,798	181,220	193,962	182,493	177,056	290,470
Renewal Request	365,998	431,681	492,593	555,283	562,551	600,643	723,038
Change of Sponsorship Request	57,003	57,532	62,746	89,827	96,913	100,847	85,651
FEDERAL REGISTRATION ACTIVITIES	2014	2015	2016	2017	2018	2019	2020
New Registration Request	78,707	80,300	80,432	65,688	91,429	61,539	44,938
Renewal Request	374,512	386,635	385,109	406,278	400,601	388,810	391,618
Change of Employment Request	38,158	37,431	39,919	36,647	38,431	36,345	26,672
PROFESSIONAL STANDARDS	2014	2015	2016	2017	2018	2019	2020
Credit Report	110,006	110,533	125,368	130,242	134,754	127,164	175,635
Background Check	230,685	236,452	261,066	260,091	256,915	250,687	276,575
Test	102,861	83,228	70,226	59,744	47,625	44,826	85,878
Education Hours	1,764,436	2,091,024	2,255,889	2,459,904	2,313,891	2,343,817	3,557,372



NMLS MODERNIZATION

The SRR Board of Managers (SRR BOM) has been working to develop a next generation nationwide multistate licensing and supervisory technology system to anticipate and accommodate the evolving needs of the state system of financial regulation. The Board's goal is to build a new system that:

- Empowers state authority through data-driven solutions
- Promotes efficient operations and Networked Supervision among regulators
- Creates an optimized user experience

To support the goals, the NMLS Launch Product and Networked Supervision, the NMLS Modernization Steering Committee developed the Networked Supervision Licensing Model, Licensing Requirements Framework, and proposals for Core Requirements, MSB Business-Specific Requirements, and Review Standards and Thresholds.

Networked Supervision Licensing Model

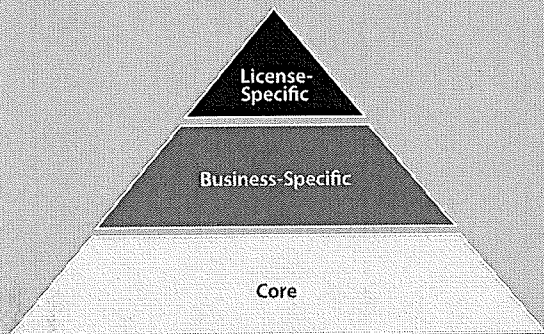
Inspired by the Multistate MSB Licensing Agreement (MMLA), the Networked Supervision Licensing Model (the Model) moves state licensing for non-depositories a step further by minimizing

and eliminating agency differences and creating review standards and licensing acceptance thresholds. Simultaneously, the Model enables creating a network of shared resources, uniform requirements and standard licensing reviews and decisions among all application agencies on a multistate application. This Model is the foundation of the modernized NMLS and will enable state regulators to share work and eliminate duplicative reviews, while preserving full state authority over the license decision. Industry will benefit from the Model by receiving increased clarity around license requirements, having a primary point of contact, and experiencing improved application turn times.

The concept of Networked Supervision — state regulators sharing information, data, and relying on each other's work so that the state regulatory system acts as a coordinated whole, without any of its parts foregoing its sovereignty — creates a framework for:

- Full information sharing
- Eliminating redundancies
- Interdependent reviews
- Common standards
- Data standardization

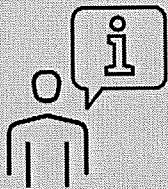
LICENSING REQUIREMENTS FRAMEWORK



The Licensing Requirements Framework (the Framework) was created to meet the goal of organizing common requirements and recognizing unique license requirements. The Framework segments licensing requirements in a way that standardizes data collection, while providing state regulators with the information needed to make educated licensing decisions.

Figure 16. NMLS Modernization Requirements Framework

The Framework divides licensing requirements into three categories:



Core Requirements

Demographic and other basic information all nonbank entities, regardless of industry, are required to provide. Core Requirements are universal to all nonbank financial service companies.

Examples

Books and Records
Information, Key Individual
Identification

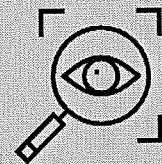


Business-Specific Requirements

Information generally required for licensing of specified business activities. All companies obtaining a license in that business must complete these requirements. Business-Specific Requirements are universal to all companies offering services or products in that business. Examples of Business-Specific Requirements may include money transmission, check cashing, mortgage lending, etc.

Examples

FinCEN Registration Information,
Bank Account Information,
Key Individual FBI Criminal
Background Check and Credit
Report Requirements



License-Specific Requirements

Information required by a state agency for their license type. All companies obtaining a state's license through NMLS must complete these requirements. License-Specific Requirements must be unique and not duplicative of other requirements in the system. Information collected as part of the Core or Business-Specific Requirements, will not also be collected as part of License-Specific Requirements.

Examples

Qualifying Individual,
Surety Bond, State Criminal
Background Check
Requirements

Review Standards and Thresholds

In support of Networked Supervision, the NMLS Modernization Steering Committee has created review standards and thresholds. Review standards and thresholds will provide for:

- Uniform Information: All agencies have access to the same information on shared requirements.
- Standardized Review: Review of information

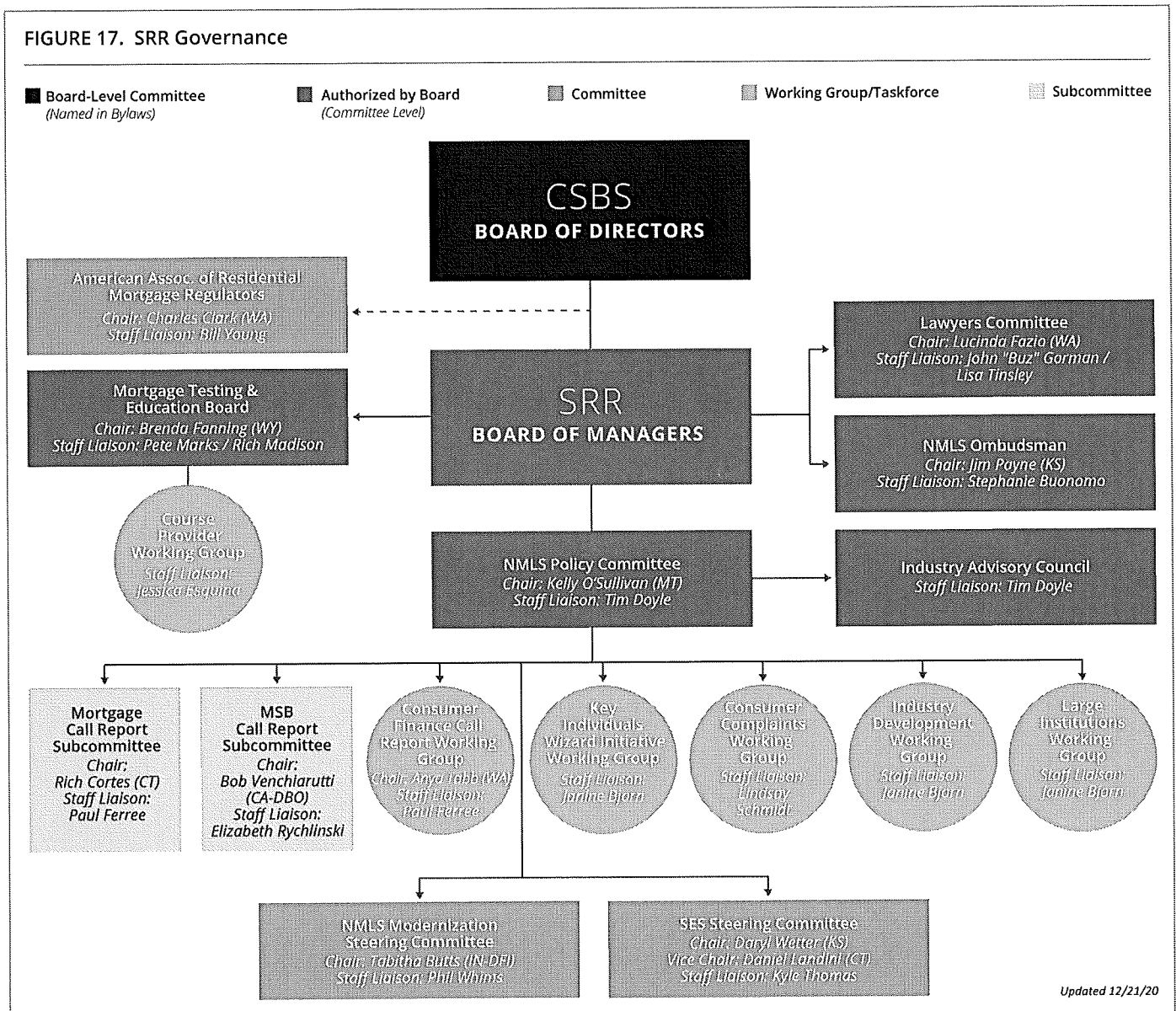
is consistent in content and format can be relied on by other agencies.

- Minimum Acceptance Thresholds: Shared minimum criteria agreed upon by each agency, which define a qualified applicant.

Core Requirements

The proposal for Core Requirements was sent to state agencies for regulator comment in July. Thirty-nine state agencies submitted comments

FIGURE 17. SRR Governance



xfor consideration. Core Requirements establish the most fundamental pieces of information (“facts”) required for all companies seeking licensure through NMLS. The Core Requirements determine when a unique record is needed in NMLS to provide regulators clarity in defining the information associated with that record, how companies and individuals are connected to each other, and the limits of a company’s responsibilities. Core Requirements only include information that cannot be contradicted or open to interpretation, and do not vary by state, industry, or license.

MSB Business-Specific Requirements

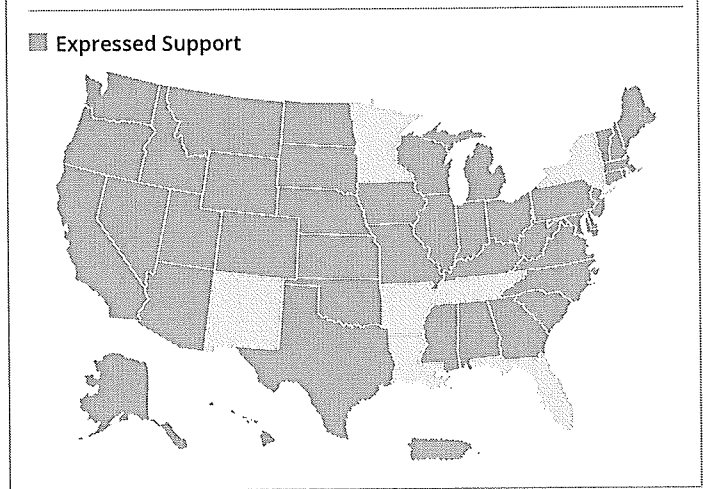
The proposal for MSB Business-Specific Requirements was sent to state agencies for regulator comment in December. This proposal aligns with the requirements of the Uniform Money Transmission Modernization Act (“Model Act”) the CSBS Board of Directors approved in November. Also in November, the SRR BOM directed staff to build the MSB Launch Product to a national standard, as outlined in the Model Act.

Key Individual Wizard Initiative

The Key Individual Wizard (KIWI) is an application module industry will use in the modernized NMLS to disclose key individuals in the management and ownership structure of applicant. KIWI employs a standard set of business rules and disclosure requirements the majority of state agencies have agreed upon. Initially conceived in 2018, the KIWI working group, which includes both industry representatives and regulators, has spent the past year refining the application’s various business rules.

Between June and August of this year, SRR hosted five town hall meetings with state agencies to review the updated requirements and to gauge support for KIWI. Currently,

FIGURE 18. State Agency Support for KIWI



92 percent of agencies have indicated their willingness to adopt KIWI.

How KIWI Works

Taking a risk-based approach, KIWI guides potential applicants through a series of questions concerning the applicants’ management and business activities and requires persons to be disclosed. The disclosures are not based on job titles, but on who is responsible for and performs critical functions deemed to be of most interests to regulators. KIWI also provides for a single standard to build and display an applicant’s ownership structure that is easy to read and is uniformly labeled with entity names, entity types and the percentages of ownership interest. From the information collected, the wizard generates a single list of individuals who are required to be disclosed or vetted and explains why.

KIWI will also produce the applicant’s management and affiliate charts. Pending work includes:

- Determining how change in control and amendments can be processed through KIWI.
- Developing a common framework for vetting of foreign nationals.

STATE EXAMINATION SYSTEM

BRINGING UNIFORMITY TO THE EXAMINATION PROCESS

On March 16, SRR began the nationwide launch of the new State Examination System (SES) following a successful pilot in late 2019. SES is a transformative technology platform. It lets state agencies and the companies they supervise coordinate on examinations, investigations and consumer complaints. SES brings standardization, information sharing, collaboration, risk-based analytics and best practices to the supervisory process — creating a more networked and transparent experience.

SES Benefits State Agencies and Companies

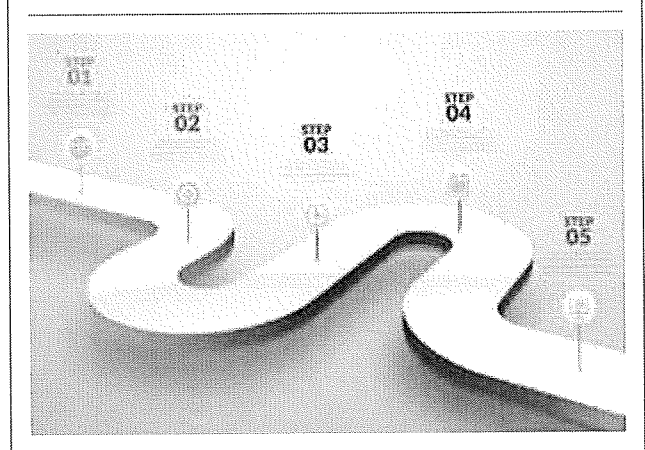
- Allows state agency examiners to create information requests quickly and easily from a common core set of standards and tailor their exam plans for each company.
- Reduces burdens for companies because state agencies can now issue information requests that are more consistent and specific to a particular supervisory activity.
- Enables agency users to reduce travel and time away from home with more of the examination process now performed electronically – a proven benefit throughout the COVID-19 pandemic.
- Makes scheduling examinations easier and more collaborative for state agencies because agencies can access one another's exam schedules.

Exemplifying Networked Supervision

SES is a driving force behind state agencies' efforts to become more networked in their supervisory activities. SES facilitates information sharing between state agencies about companies they supervise collectively, allowing each agency to know more about a company's risk profile or partner with other agencies to reduce the

number of single-state exams. Companies benefit from this move toward more networked and collaborative supervision through reduced exams and greater consistency from exam to exam.

Figure 19. SES Roadmap



SES Consumer Complaints Feature

SRR reached another significant milestone this year by launching the SES Consumer Complaints feature. Prior to the launch, 11 state agencies participated in a pilot in July to determine readiness for broad implementation on September 28. This new feature set allows state agencies to enter and process complaints for

depository and non-depository entities under their supervision.

SES Consumer Complaints has been a long-term goal of the NMLS Program. It fulfills a provision of the federal SAFE Act, which called for a system that *“Facilitates the collection and disbursement of consumer complaints on behalf of State and Federal mortgage regulators.”*

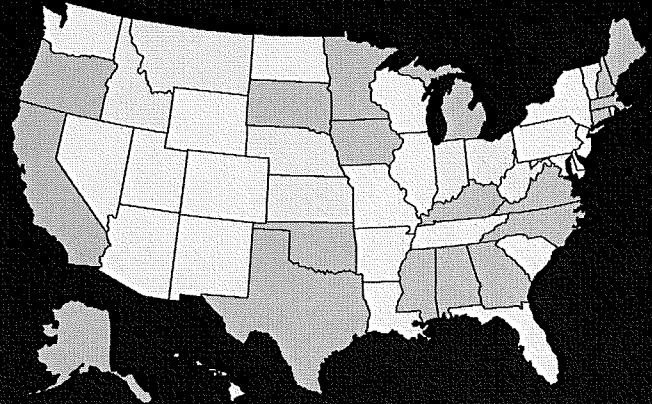
The SES Consumer Complaints feature also allows state agencies to coordinate around one of the most valuable supervisory tools and services an agency provides: resolving problems consumers experience when engaging with the financial services industry.

SES Consumer Complaints Adds Even More Benefits for State Agencies and Companies

- Allows agencies to communicate securely with companies and exchange information. Complaints entered and processed can be connected to other supervisory activities, building a complete picture of a company's SES supervision history.
- Lets state agencies share relevant complaint information with other interested agencies, similar to the information sharing features used for examinations and investigations.
- Enables state agencies to collaborate easily with one another to uncover identifying information on unlicensed or unknown entities with active complaints.
- Allows companies to view the details of a complaint, respond securely, and easily understand and track the status of open and closed complaints.

FIGURE 20. SES Agency Users

- Supervisory Activities & Complaints
- Complaints Only
- Supervisory Activities Only



States that appear in gray do not have agencies currently using SES.

SES Implementation Progress

29 State agencies have adopted SES and are using it to examine companies in the mortgage, money transmitter, consumer finance and debt industries.

More than **400** supervisory activities have been scheduled, conducted or are in process.

10 Agencies are already using the new consumer complaints functionality, which launched in late September.

State agency onboarding and training is ongoing, with new agencies on track to start using the system in early 2021.

NMLS AND SES RESOURCES

NMLS Resource Center

The [NMLS Resource Center](#) serves as the gateway to NMLS. It provides NMLS companies and individuals with state licensing and registration information, deadlines, training materials, tools, and tips to assist them in using NMLS. In addition to being the best initial source for finding state licensing and registration information, the NMLS Resource Center is updated regularly with system news and event items, as well as state agency news that affects licensees. The NMLS Resource Center also includes links to sites dedicated to NMLS Modernization and SES. These sites include information for state agencies and industry to stay up-to-date on NMLS Modernization activities and ongoing SES enhancements.

SRR also maintains the [Federal Registry Resource Center](#), which provides federally regulated depository institutions and individuals updated information on the federal registration process and system news.

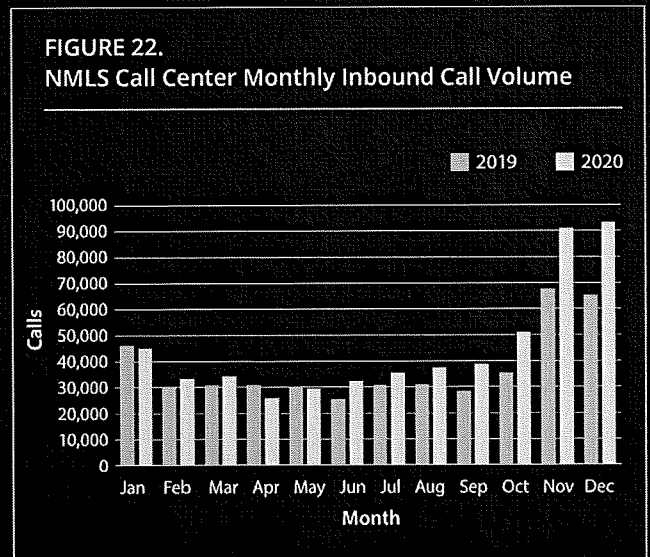
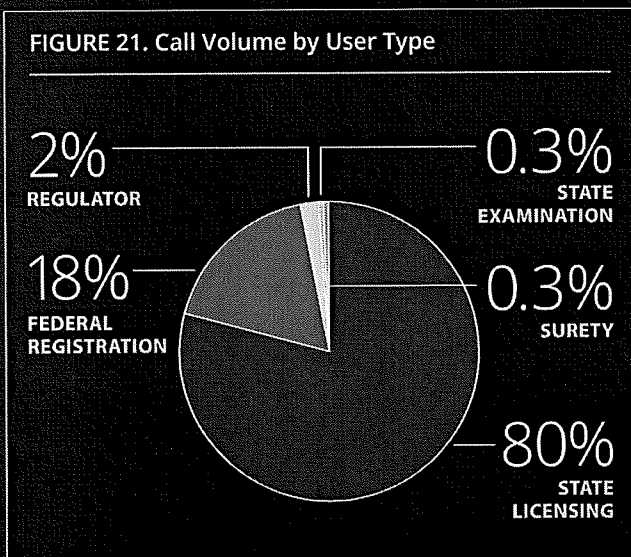
Live User Support

[NMLS Call Center](#) agents and Regulatory User Group (RUG) provide live user support. It is a priority to provide timely and complete resolution to industry or state agency user needs during every interaction. These interactions also give support agents a chance to identify user pain points, document those opportunities and develop solutions.

This year, NMLS Call Center began providing live support for several new industry and state agency systems. The new systems supported include:

State Agency Users

- SES, including the new SES Consumer Complaints feature
- License Information & Fee Environment (LIFE)
- Accreditation
- Analytics
- Certification
- Profile



Industry Users


- SES, including the new SES Consumer Complaints feature

NMLS Call Center agents and RUG continue to use a Customer Relationship Management (CRM) tool to document user interactions. CRM analysis of the interactions allows SRR staff to better understand and act on the following:

- User satisfaction with call center agents' courtesy, knowledge and overall performance
- Usability of NMLS, SES and the Resource Centers
- Response times to user requests
- Training needs
- User acceptance of system enhancements, security upgrades and process changes
- Tracking of system incidents related to NMLS, SES and their supporting systems


The CRM also provides a customer portal platform, which allowed SRR staff to provide support for SES via the portal.

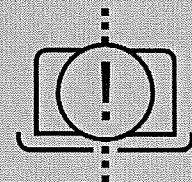
NMLS CALL CENTER 2020 ACTIVITY AT A GLANCE

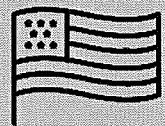
 **14.8%**
Increased overall call volume at the NMLS Call Center from 2019 to 2020

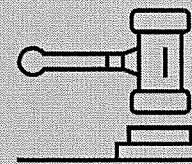
549,009 Total calls 

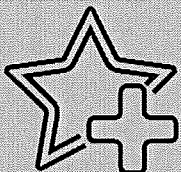
 **2,170**
Average calls responded to per day

71% of calls answered within 60 seconds (80 percent during non-renewal months) 

 **2%**
Related to regulator system support issues

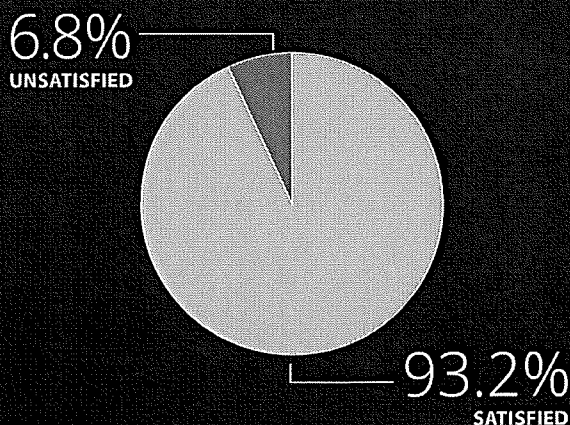
80% Related to state licensing issues 

 **18%** Related to federal registry issues

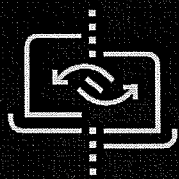
93.2% Overall satisfaction with the NMLS Call Center (3,600+ user surveys) 

 **21%**
Related to entitlement issues (such as password reset and account unlock requests)

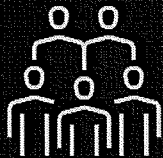
FIGURE 23. User Satisfaction



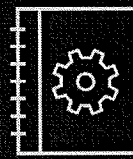
More Learning and Development Accomplishments in 2020



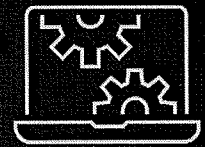
Transitioned to the new FLEX learning management system. CSBS members and staff accessed courses and content successfully through the new system.



More than 450 users enrolled in courses to help them learn about NMLS.



Managed more than 400 user guides and help documents on both the NMLS Resource Center and within NMLS.



Delivered more than 50 training programs to various audiences in support of NMLS and other internal SRR initiatives.

NMLS Call Center agents are trained in system use and policy. In addition, teams are assigned to provide more specialized support in specific areas including, SES, the Mortgage Call Report, authorized agent reporting, Federal Registry issues and more. The call center responds to queries regarding system issues, and directs all specific regulatory, registration and licensing questions to the appropriate state or federal agency. The call center staff is available 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.

Learning and Development

In 2020, the Learning and Development team focused on supporting the nationwide rollout of SES, implementation of the SES Consumer Complaints feature, the NMLS Annual Conference & Training, NMLS license transitions, and NMLS Modernization activities.

The Learning and Development team also provided a rapid, coordinated response to the COVID-19 pandemic. The team successfully adjusted content delivery methods to ensure members and stakeholders working remotely had virtual access to training materials and documentation. Efforts included:

- Partnering with AARMR to deliver the first ever Virtual Spring Training School for over 160 examiners, in lieu of an in-person conference.
- Providing live virtual training, online courses, eLearning modules, instructional videos, and both live and recorded webinars to state agencies, state licensees, federal registrants and vendors.

As referenced above, the Learning and Development team played a critical role in the nationwide rollout of SES and the SES Consumer Complaints feature. Specifically, the team:

- Developed online programs accessible through FLEX for each of the roles in SES, including Examiner in Charge, Staff Director/ Staff User, Account Administrators and Consumer Complaints users.
- Created SES and Consumer Complaints training for call center Tier 1 and Tier 2 agents, RUG agents and Operations staff. Over 170 SES knowledge articles and 50+ instructional videos were created and published to support agency and company SES and Consumer Complaints users – enabling over 350 exams to be conducted within SES in the first year.



The Mortgage Licensing School continued to provide members with best practices in NMLS functionality and license application review. This year, the NMLS program underwent a successful technical update to ensure continued functionality amid changing browser supported technology. The program continues to provide focused, relevant education by allowing state regulators to enroll in a learning plan specific to their role within an agency. Since the program's launch, 206 learners across 42 state agencies have enrolled, and 89 learning plans have been completed.

In addition, various state agencies transitioned several license types onto NMLS this year. The Learning and Development team, in conjunction with the State Relations and Business Services teams, trained agency staff and industry members on how to manage these licenses on NMLS. Those transitioning to NMLS have access to self-paced online training and live virtual training to ensure a successful transition to the system. As a result of these training efforts, over 68 licenses across 19 agencies were transitioned to NMLS in 2020.

In 2021, the Learning and Development team anticipates involvement in advancing Networked Supervision through continued support of SES, NMLS license transitions, and the NMLS Modernization effort.

NMLS Consumer Access

[NMLS Consumer Access](#) is a fully searchable website that allows consumers to view and search for information on companies, branches and individuals who are state-licensed or federally registered in NMLS. This free service is an invaluable consumer resource that contains information on virtually all mortgage loan originators operating in the United States and state-licensed or federally registered companies in NMLS. Specifically, data available through NMLS Consumer Access includes identifying information for each individual or entity, details on all licenses or registrations held, and any applicable regulatory actions taken.

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 that service the mortgage industry with data and loan origination products.

In 2020, SRR added 14 new B2B subscribers, bringing the total to 48 subscribers who use the NMLS data for license verification, data analytics, fraud prevention or referral purposes.



Figure 24. 2020 NMLS Annual Conference & Training

NMLS Annual Conference & Training

The NMLS Annual Conference & Training remains a signature event for the NMLS Program. Since its inception, this NMLS user-focused conference has grown in the number of attendees and provided expanded content offerings. More than 760 state regulators and industry professionals attended this year's four-day event in San Francisco, California, February 18-21.

Regulator and industry attendees engaged in non-stop opportunities to share ideas, collaborate and network during a wide range of NMLS and SES breakout sessions. Some of the key topics addressed during the 40 dynamic breakout sessions included:

- Driving toward a modernized NMLS
- Reengineering nonbank supervision
- SES and the uniformity it brings to the examination process

Memorable moments from the NMLS Annual Conference:

- SES nationwide launch celebration, with a guided tour of the U.S. Mint at San Francisco.
- Scott Corscadden, Bureau of Loans supervisor for the Alabama State Banking Department, honored for his role as NMLS Ombudsman after serving for four years.
- Regulator Meet-and-Greet, the evening event where regulators and industry gather to strengthen their connections.

Information Sharing Through NMLS

The SAFE Act encourages state and federal agencies to share information through NMLS. The State Agency Terms of Use and the Industry Terms of use contain language that facilitate that kind of information sharing. SRR has entered into information sharing agreements with the following agencies:

- [Office of Financial Research \(OFR\)](#)
- [Consumer Financial Protection Bureau \(CFPB\)](#)
- [Financial Crimes Enforcement Network \(FinCEN\)](#)
- [Federal Housing Administration \(FHA\)](#)
- [Federal Trade Commission \(FTC\)](#)
- [Federal Reserve Board \(FRB\)](#)
- [Federal Deposit Insurance Corporation \(FDIC\)](#)
- [Financial Stability Oversight Council \(FSOC\)](#)

NMLS DATA ANALYTICS AND REPORTS

This year, SRR worked with four state agency working groups to develop new methods for analyzing risk based on data from the Mortgage Call Report (MCR) and the Money Services Businesses (MSB) Call Report, along with exploratory work on a new Consumer Finance Call Report (CFCR).

The Risk Profile Working Group (RPG) — comprised of state agency mortgage examiners — developed a risk score based on outliers reported in certain MCR data points. SRR shares these risk scores with state agencies to inform supervision. The risk scores have also allowed the RPG to monitor the health of companies the Multi-State Mortgage Committee supervises; and identify data quality issues in those companies' MCR filings.

New Subcommittees Established in 2020

- The MCR Subcommittee, which was formed in May, replaced the MCR Working Group. The Subcommittee met four times to respond to questions from regulators and industry; and discuss potential changes to MCR definitions, instructions, and frequently asked questions.
- The MSBCR Subcommittee was formed in May to replace the MSBCR Working Group. The Subcommittee met seven times to respond to questions from regulators and industry; and provide guidance on new features deployed in MSBCR Analytics.

In addition, the Consumer Finance Call Report (CFCR) Working Group met 20 times this year. The group drafted a standardized report of financial condition. In effort to streamline activity reporting, the group developed a standardized loan-level report of activity that could meet the need for both quarterly activity reporting and examinations. Once the development timeline for the CFCR is determined, the group will prepare a proposal to release for regulator and public comment.

Analytics Tools Highlights

MCR Analytics, which provides mortgage examiners with self-serve access to customizable aggregations of MCR data, continued to be the most popular tool in the NMLS Analytics suite in 2020, with 351 unique users in 54 state agencies. In addition, 188 unique users from 39 state agencies logged into MSB Call Report Analytics during the year. Figures 25 and 26 provide an overview of NMLS Analytics Tools usage.

FIGURE 25. NMLS Analytics Tool Usage, Distinct Users

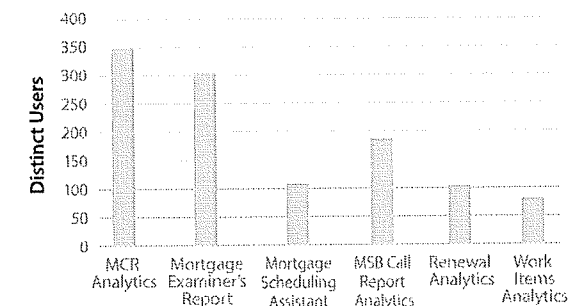
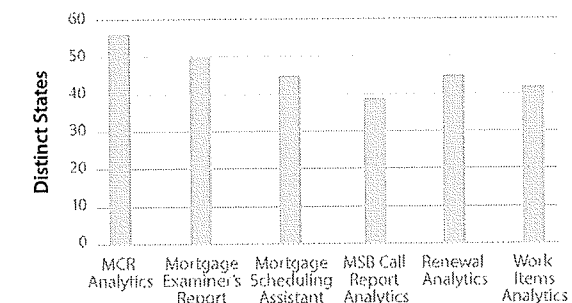


FIGURE 26. NMLS Analytics Tool Usage, Distinct States



NMLS POLICY: 2020 FOCUS

Figure 27. Photo 2020 NMLS Policy Committee.

Left to Right: Bill Poe (TX), Deborah Taellious (WA), Howard Wegener (NJ), Todd Bellman (MD), Jim Payne (KS), Kelly O'Sullivan (MI), Kelly Ramsford (SC), Kirsten Anderson (OR), Mick Campbell (MO), Nicole Chomblee (TN), Valerie Carbone (VA)



NMLS Policy Committee

The [NMLS Policy Committee \(NMLSPC\)](#) is at the center of the NMLS policy making process. In 2020, the NMLSPC reviewed a variety of issues affecting NMLS policies and system operations, including:

- Updates to the NMLS Policy Guidebook and the Mortgage Call Report (MCR)
- NMLS Consumer Access suppression requests
- Approval of applications for B2B subscriptions
- Discussions with state regulators and industry about issues raised to the NMLS Ombudsman
- Additional business activities on NMLS
- Various policy issues associated with Temporary Authority to Operate (TA) and the Key Individual Wizard Initiative (KIWI)
- NMLS Modernization Items

A roster of NMLSPC members can be found in [Appendix E](#).

NMLS Ombudsman

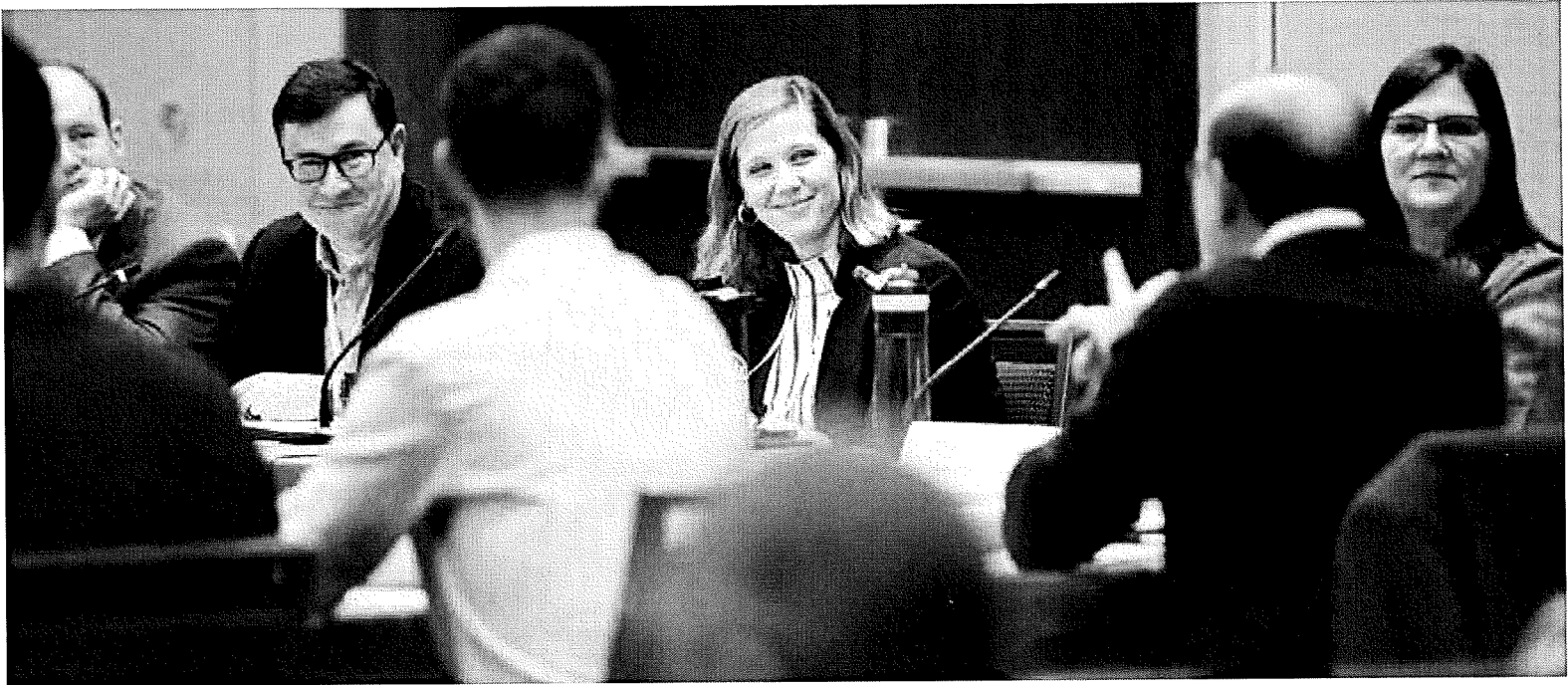
The [NMLS Ombudsman](#) serves as a resource to assist system users with resolving NMLS policy and operational issues.

In 2020, the NMLS Ombudsman held two public meetings — one in conjunction with the NMLS Annual Conference & Training in February in San Francisco, California, which was attended by more than 580 industry and state agency members. A variety of issues were raised during these meetings, including emerging NMLS issues, the State Examination System (SES) and state examinations, and the implementation and state overlays related to S.2155 Temporary Authority to Operate.

[Jim Payne](#) succeeded Scott Corscadden as Ombudsman, effective July 1.

In September, due to the COVID-19 pandemic, the NMLS Ombudsman meeting was held virtually for the first time. A panel of regulators and industry (listed below) discussed remote work and remote supervision in a post-pandemic world. Over 600 participants attended the meeting.

- Kirsten Anderson, Licensing Manager, Oregon Department of Consumer and Business Services
- Charlie Clark, Director, Washington Department of Financial Institutions



- Rhoshunda Kelly, Interim Commissioner, Mississippi Department of Banking & Consumer Finance
- Danielle Arlowe, Senior Vice President, American Financial Services Association Charlie Fields, Jr., Senior Vice President, Mortgage Regulatory Relations, PennyMac Loan Services
- Melissa Koupal, Senior Vice President, Loan Integrity, Loan Depot
- Pete Mills, Senior Vice President, Residential Policy & Member Engagement, Mortgage Bankers Association

A summary of all public meetings is posted on the [NMLS Ombudsman page](#) of the NMLS Resource Center. In addition, the NMLS Ombudsman worked to research, assist and resolve 289 unique inquiries submitted via email from individuals and companies nationwide in 2020. Ombudsman inquiries were up 72 percent compared to 2019.

NMLS Participating States Committee — Regulator Open Forum

Regulator Open Forum calls are held monthly with state regulators who use NMLS. The calls are designed to provide regulators an opportunity

to present and discuss system-related topics with other regulators to obtain feedback on work processes, supervisory policies, and uniform best practices. The calls also serve as a springboard to identify and prioritize proposed system enhancements and development.

In addition to using Open Forum calls as a platform for ongoing NMLS stakeholder engagement, major topics discussed during 2020 include:

- COVID-19 items and updates
- TA
- KIWI
- Call Reports
- SES
- User Agreements
- Single Sign-On
- NMLS Call Center
- NMLS Policy Guidebook updates
- The 2021 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. Topics the IDWG reviewed in 2020 include:

- COVID -19 items and updates
- Guidebook updates
- KIWI
- TA
- SES

A roster of IDWG members of the can be found in [Appendix E](#).

Key Individual Wizard Initiative Working Group

The Key Individual Initiative Working Group (KIWI), comprised of regulators and industry, was formed to address a multi-year problem and a major pain point identified by industry. Inconsistency for who has to be identified as a control person and why has also been raised as an issue by CSBS' Fintech Industry Advisory Panel (FIAP).

During 2020, the working group met weekly and refined the Wizard based on agency feedback received last year and finalized the business rules associated with the Wizard. In the late summer and early fall, SRR staff and regulator working group members conducted District Town Halls to solicit state agency commitment for KIWI.

Taking a risk-based approach, KIWI, which will be a key component of the modernized NMLS, guides potential applicants through a series of questions concerning the management and

business activities of the applicant and requires persons to be disclosed, not based on job titles, but on who has responsibility for and performs critical functions deemed to be of most interests to regulators. Based on data collected, KIWI dynamically (1) builds the applicant's management and affiliate charts; (2) builds the applicant's ownership chart, using a single standard; (3) calculates and displays ownership percentages; (4) builds the applicant's affiliate charts; and (5) produces a final report of those individuals who should be required to be vetted based on state law and displays the reason(s) why.

A roster of KIWI members of the can be found in [Appendix E](#).

Public Comment Requests

Public comments are requested for significant policy issues or system functionalities, as determined by the SRR Board of Managers or the NMLSPC. In 2020, a request for public comments on changes to the Money Services Businesses Call Report was issued.

Active and archived proposals issued for public comment, comments received and SRR's response to comments are available on the [Proposals for Comment page](#) of the NMLS Resource Center.

TESTING AND EDUCATION



OVERVIEW

The impact of COVID-19 coupled with a dramatic surge in test administrations presented a unique set of challenges in 2020. In March, all test centers were closed abruptly and all test administrations halted. In most states, NMLS approved in-person education courses were suspended in response to the pandemic. The testing and education staff worked with its testing vendors and its approved course providers to quickly find solutions to these unusual conditions. SRR staff implemented solutions to these challenges and achieved several other important accomplishments, including:

- Launched an online proctored test (OPT) channel for the administration of the SAFE MLO Test.
- Developed accommodations for course providers to offer remote delivery of NMLS-approved courses.
- Completed the mortgage loan originator (MLO) Job Analysis study.
- Completed 115 course compliance exams for education providers.

The remainder of this section focuses on these and other highlights.

BACKGROUND

The SAFE Act established a number of testing and education requirements to ensure all state-licensed MLOs demonstrate a basic level of industry and regulatory knowledge.

Under the SAFE Act, SRR 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 (PE) and continuing education (CE) requirements.

Test Development and Maintenance

In January, SRR staff hosted the third National Test Maintenance Committee (NTMC) fly-in event. Twenty-two subject matter experts (SMEs) representing industry and regulatory agencies attended the two-day event at the CSBS office in the District of Columbia. The NTMC plays a key role in ensuring SAFE MLO tests are valid, fair and reliable – fulfilling a fundamental obligation to consumers and test candidates.

In addition to the fly-in event, SRR staff conducted three productive and efficient test maintenance cycles. These cycles included convening the NTMC to:

- Review the National Test content outline and test content, specifically test questions
- Evaluate test item performance data
- Create new test questions

We appreciate the industry and regulatory SMEs who contributed their time and expertise to help maintain the high quality of the National Test.

The test maintenance effort also includes the “Test Content Comments and Challenges” process. In 2020, SRR responded to 82 challenges submitted through this process.

Job Analysis Study

SRR, in conjunction with its test vendor, conducted an MLO job analysis study from July – October. The study, which is performed approximately every five years, is designed to gather feedback from state regulators and mortgage industry professionals on the minimum level of knowledge, skill and ability an MLO candidate needs to pass the National Test. This year, the study was led by 18 regulator and industry SMEs, along with vendor and SRR staff. The study included administering a survey to all state-licensed MLOs. SRR sent the survey to over 161,000 MLOs and received over 15,000 responses.

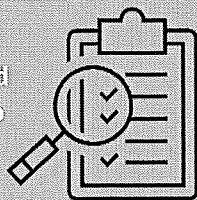
Test Administration

The impact of the COVID-19 pandemic on the SAFE MLO Test became apparent on March 17, when all of Prometric’s test centers (270+ in the United States) were closed, effectively shutting down the testing program for six weeks. Test centers began reopening in May and since have fully reopened with a few markets operating with reduced capacity due to local social distancing orders. The backlog of candidates who were unable to test during the shutdown, along with the increased demand for MLOs due to low interest rates have led to a continued resurgence of test candidates.

JOB ANALYSIS STUDY

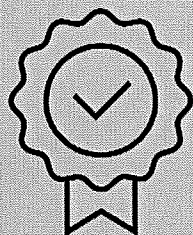
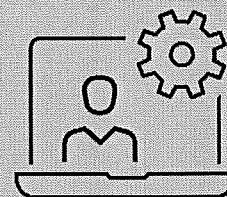
MLO Job Analysis

Helps ensure the material covered on the National Test is relevant to the MLO profession as practiced.



Standard setting

Necessary to demonstrate the link between an exam score and a minimally competent test taker.



TOGETHER, a job analysis and standard setting are crucial steps in establishing the value and credibility of any professional status that is granted based on the exam results.

In response to the test center closures in March and April, SRR began working with its vendors to offer the SAFE MLO Test online. SRR was able to leverage Prometric’s online testing software platform, ProProctor, to deliver a secure testing channel for the test. Working with a small number of companies of various sizes across the U.S., SRR conducted two successful pilots of the OPT during the summer of 2020. On September 28, the SAFE MLO OPT was launched. In the nearly three months of online testing, SRR has delivered nearly 4,000 OPTs, which represents about 1 in 4 candidates testing online.

SRR administered over 67,000 SAFE MLOs tests in 2020, an increase of nearly 42 percent from the previous year. A summary of the number of tests administered in 2019 and 2020 is included in Figure 28.

Test Performance

SRR regularly monitors performance of the SAFE MLO Test, 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 29, which shows the pass rates by attempt for the National Test for the past 24 months, January 1, 2019 - December 31, 2020. In addition, Figure 30 illustrates the first-time pass rates by month throughout 2020.

Testing And Education Security

During 2020, 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 uses an Internet surveillance program to detect if copyrighted content from the SAFE MLO National Test is being shared or disseminated online.

Figure 28. 2019-2020 Number of Tests Administered

TEST NAME	2019	2020
National Test	38,454	67,641

Figure 29. National Test Pass Rates

PASS RATES BY ATTEMPT <i>January 1, 2019 through December 31, 2020</i>			
	Tests Taken	Tests Passed	Pass Rate
First Time	75,685	43,578	58%
Subsequent	30,353	13,349	44%
OVERALL	106,038	56,927	54%
	Candidates	Candidates Passed	Individual
ALL ATTEMPTS	80,780	56,923	70%

The service continuously monitors the web for public posts that contain confidential test content. The surveillance has resulted in several investigations and successful requests for the removal of copyrighted materials from the Internet. Figure 31 summarizes the investigations SRR initiated in 2020.

In 2020, SRR continued the use of a biometric authentication protocol for students completing NMLS-approved online self-study CE courses. The program was expanded in 2020 to include students completing online self-study PE courses. The protocol, which was implemented in 2017, requires students to create and re-enter a simple behavioral biometric password adding a unique layer of multi-factor authentication to the traditional username and password security process. Employment of the biometric technology ensures students who are taking online self-study courses are the same person they claim to be. The application was used successfully by more than 124,210 MLOs who completed their annual CE requirement online and 58,873 individuals who completed online self-study PE courses.

Deployment of biometric technology enabled SRR to identify and take enforcement against MLOs who failed to complete education in accordance with the SAFE Act mandate.

Education

Over 224,700 state licensed MLOs and potential MLO applicants completed more than 3.5 million hours of education in 2020. Reversing a trend from the previous year, the number of PE hours completed in 2020 increased by nearly 939,000 hours. Of the 159,723 MLOs who were required to complete CE in 2020, 89 percent did so by December 31, an increase of two percent from the previous year. Seventy-four percent of MLOs completed their annual CE using an online course, an increase of two percent from 2019.

There were 104 NMLS-approved course providers at the end of 2020. This number reflects a slight increase from the year before. Course providers submitted 1,008 new courses for approval, and 588 courses for renewal. A team of five mortgage subject matter experts reviewed the courses.

An increasing number of state agencies have adopted the PE Expiration Policy that the NMLS Policy Committee (NMLSPC) initially approved in 2016. The policy requires individuals who have completed 20 of hours PE pursuant to 12 U.S.C 5104(c) to retake 20 hours of PE if they fail to acquire a valid state license or federal registration within three years of achieving federal compliance or fail to reacquire a state license or federal registration within three years from the last date of licensure. The map (Figure 33) shows states that have enacted the policy.

To ensure NMLS approved education remained available, SRR proactively acted in response to COVID-19 on March 17, and authorized NMLS-approved course providers with approved classroom PE and CE courses to deliver their PE and CE courses via webinar until June 15. To further assist course providers to adapt to a changing environment, SRR published a “Best Practices for Delivering Webinar Courses” and provided mentoring services to schools and instructors who had no previous experience delivering courses online. As a result of SRR’s action, no NMLS-approved course provider was forced to close or was unable to meet industry demand for education due to regulatory requirements.

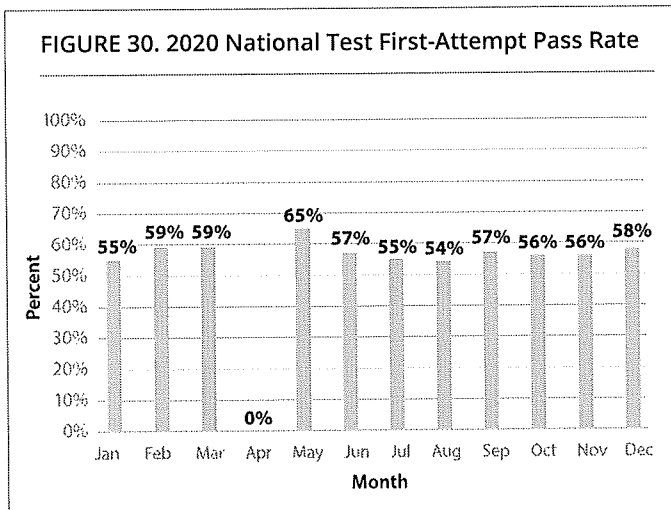


Figure 31. 2019 Summary of SRR Investigations

SUBJECT OF INVESTIGATION	TYPE OF VIOLATION	NUMBER OF CASES	FINDINGS		
			VIOLATIONS FOUND	NO VIOLATION	ONGOING
Course Providers	Standards of Conduct	2	0	0	1
Test Takers	Rules of Conduct	12	7	2	3
Education Student	Rules of Conduct	14	1	1	13
Online Test Prep	Misuse of Test Content	1	0	1	0
TOTAL		29	8	4	17

Education Compliance

Prior to the start of the COVID-19 pandemic and in the ensuing months, SRR conducted 34 classroom and online course exams in 2020. Due to travel restrictions brought on by the pandemic, in the summer of 2020 SRR researched and piloted remote classroom compliance examinations which will become a new model for ensuring courses are being delivered in accordance with SRR policies. The new approach uses a blend of technology for remote viewing of classroom activity and document verification processes.

SRR continued to actively work with the Multi-State Mortgage Committee to provide NMLS-approved course providers a required 2022 list of CE topics derived from violations found during state mortgage examinations. The purpose of this objective is to bring greater relevancy to the requirement for the annual CE with the intent of reducing the number of violations.

Provider Applications and Renewals:

In 2020, SRR considered applications from 16 organizations that were seeking NMLS approval to become a course provider. SRR approved seven of the requests by year end.

Course Provider Working Group

The Course Provider Working Group (CPWG) continues to review and make policy recommendations to SRR. The CPWG provided feedback on the policy change for the approval of online state-specific PE that is 10 hours or less from instructor led to self-study. The CPWG also participated in the annual review of the Functional Specifications that govern the technical design and delivery of NMLS-approved courses. Current CPWG members are listed in [Appendix E](#).

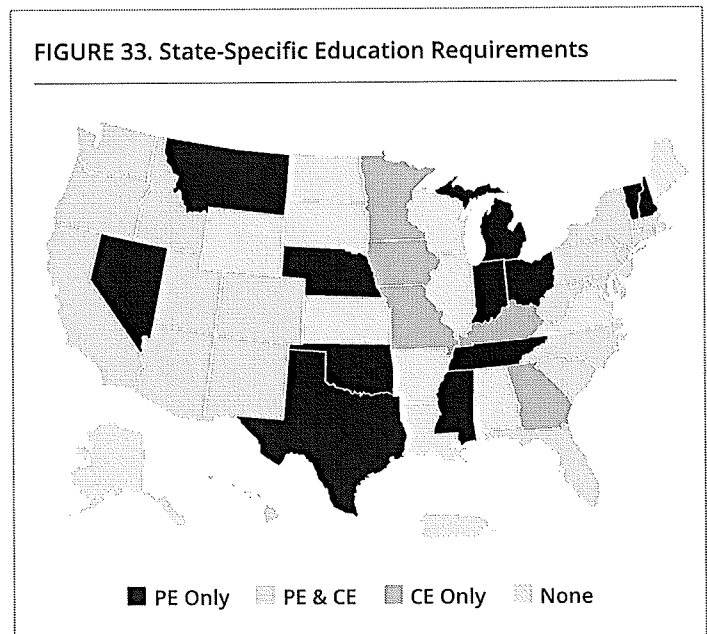
Mortgage Testing and Education Board

The Mortgage Testing and Education Board (MTEB) comprises at least nine state regulators representing each of the five CSBS Districts and at least one

FIGURE 32. 2020 NMLS Approved Education Summary

NMLS APPROVED EDUCATION FAST FACTS FOR THE YEAR ENDING DECEMBER 31, 2020	
Active Course Providers	104
PE and CE Courses	1,987
MLOs Completing Courses	224,746
PE Hours Completed	1,934,726
CE Hours Completed	1,622,646
CE Completed Online	74%
MLOs Completing CE by December 31	89%
Course Compliance Exams Completed	115

FIGURE 33. State-Specific Education Requirements



AARMR representative. The MTEB's primary mission is to provide guidance and recommendations to SRR staff, the NMLSPC and the SRR Board of Managers on a range of issues affecting implementation and operations of SAFE Act MLO testing and education programs. In addition, the MTEB performs an appellate role as necessary for investigations involving violations of the Rules of Conduct for Test Takers and Education Students and the Standards of Conduct for Course Providers. As result of the pandemic, the MTEB held its annual fly-in meeting in a virtual format, which was very successful. A roster of MTEB members can be found in [Appendix E](#).

NMLS LEGAL AND ADMINISTRATIVE ISSUES

Security, Privacy, and Breach Policies

NMLS complies with the Federal Information Security Management Act (FISMA) of 2002, National Institute of Standards and Technology (NIST) best practices, Office of Management and Budget (OMB) Circular A-130, and all applicable laws, directives, policies, and directed actions per our contract with the 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 (CBC) system continues to comply with the Criminal Justice Information Services (CJIS) Security Policy.

Annual Compliance with the Payment Card Industry Data Security Standard (PCI DSS) was completed and attestation documents for SRR for period ended December 2019, 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 in preparation for the NMLS modernization effort.

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
- Education Management System 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 updated these agreements to accommodate functionality that will be developed for the modernized NMLS.

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.

Litigation

SRR was not subject to any significant litigation in 2020.

SRR FINANCIAL PERSPECTIVE

OVERVIEW

SRR is structured as a single member limited liability corporation (LLC) with CSBS being the sole member. For tax reporting purposes, SRR is considered a part of CSBS and is therefore a 501(c)(3) tax exempt entity. Annually, an audit of SRR is performed by an independent accounting firm. At the time of this printing, the annual audit for the year ending December 31, 2020 was underway, but the final report had not been presented. When available, a copy of the final audit report will be posted on the [CSBS website](#).

OUTLOOK

Looking ahead, 2021 will continue to include significant financial investments in technology with the development of a modernized NMLS with new and enhanced system functionality. 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, and 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

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Appendix B: SAFE Act


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Appendix D: NMLS Fees

Appendix E: Committee and Working Group Rosters

Appendix F: List of Charts and Figures





Looking Ahead

Appendix A: Organizational Governance

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

State Regulatory Registry LLC

SRR is a nonprofit 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 from AARMR¹. The SRR Board of Managers is responsible for all development, operations and policy matters concerning NMLS. SRR operates as a subsidiary of CSBS².

At the end of 2020, SRR had 51 full-time equivalent staff, located primarily in Washington, D.C. SRR staff work under the direction of the SRR Board of Managers to:

- Develop, enhance and operate NMLS.
- Ensure compliance with the SAFE Act, including administration of testing and education programs.
- Manage relationships with state and federal regulators, and industry working groups related to state licensing, federal registration, supervision and NMLS policy.

In addition, SRR contracts with the Consumer Financial Protection Bureau to register mortgage loan originators (MLOs) through the NMLS Federal Registry, as well as with other vendors to deliver NMLS functionality and program oversight.

NMLS Ombudsman

The NMLS Ombudsman provides NMLS industry users and other interested parties a neutral venue to discuss issues or concerns regarding NMLS operations and functionality, and SRR policies governing the system. The NMLS Ombudsman accomplishes this by fostering constructive dialogue between NMLS industry users and state regulators working together to achieve efficient financial services regulation.

The NMLS Ombudsman is a member of the NMLS Policy Committee and reports to the SRR Board of Managers. [Jim Payne](#), director of examinations and assistant deputy commissioner for the Consumer and Mortgage Lending Division of the Kansas Office of the State Bank Commissioner, was appointed to serve as the new NMLS Ombudsman, effective July 1.

¹ AARMR is the national organization representing state residential mortgage regulators. AARMR's mission is to promote the exchange of information between and among the executives and employees of the various states who are charged with responsibility for the administration and regulation of residential mortgage lending, servicing and brokering.

² The Conference of State Bank Supervisors (CSBS) is the national organization of bank regulators from all 50 states, American Samoa, District of Columbia, 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, 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.

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 AARMR, MTRA³, NACCA⁴ and NACARA⁵.

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 NMLS policies and operations. IAC members consist of individuals from state-licensed nonbank financial services companies, financial institutions, and financial services-related industry trade groups.

SRR Lawyers Committee

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

Mortgage Call Report Subcommittee

The Mortgage Call Report (MCR) Subcommittee is comprised of state regulators who provide input into the policy, technical and functional development of the MCR functionality in NMLS.

Money Services Businesses Call Report Subcommittee

The Money Services Businesses Call Report Subcommittee (MSBCR) is comprised of state regulators who provide input into the policy, technical and functional development of the proposed MSBCR functionality in NMLS.

Industry Development Working Group

The Industry Development Working Group (IDWG) is comprised of NMLS industry users. The IDWG meets to discuss NMLS operations,

³ MTRA is a national nonprofit 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.

⁴ NACCA was formed in 1935 to improve the supervision of consumer financial companies and to facilitate the administration of laws governing these companies. NACCA presently has members from 49 states, the District of Columbia, Puerto Rico, and Alberta, Canada. Its members primarily license and regulate non-depository institutions such as finance companies, mortgage companies, small loan companies, pay day lenders, pawnbrokers, and other similar types of industries.

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

enhancements and development issues. The group ensures, to the fullest extent possible, that the system provides industry users an efficient and effective mechanism for applying for and maintaining their state financial services licenses.

Large Institutions Working Group

The 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 MLOs.

Ad Hoc Working Groups

SRR establishes state regulator and industry working groups, committees and subcommittees as needed to determine NMLS policy and development; and set the direction for operational needs. Working groups that convened during 2020 include:

- Consumer Finance Call Report Working Group
- Course Provider Working Group
- Key Individual Wizard Initiative Working Group
- SES Consumer Complaints Working Group

Appendix E includes a membership list for the SRR Board of Managers, NMLSPC, MTEB, IAC, SRR Lawyers Committee, MCR Subcommittee, MSBCR Subcommittee, IDWG, LIWG and 2020 Ad Hoc Working Groups.



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, (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 NMLS, 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 Federal Bureau of Investigation for a criminal background check, and state-licensed MLOs to provide authorization for NMLS to obtain an independent credit report.

State legislation must establish financial responsibility standards and require that all MLOs are covered by a surety bond, net worth requirements, or recovery fund. In addition, 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 the 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 in the rules. The rules stipulate that a supervisory authority 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: Alabama, Arizona, California Department of Financial Protection and Innovation, Connecticut, Hawaii, Idaho, Iowa, Kentucky, Louisiana, Maryland, Massachusetts, Mississippi, Montana, Nebraska, 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, 2015¹. This law amended section 1511 of the SAFE Act, giving state regulators the explicit authority to use NMLS to process background checks for nonbank 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 MLOs.

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 authority².

The Economic Growth, Regulatory Relief, and Consumer Protection Act (S. 2155), which was signed into law on May 24, 2018, added a new section to the federal SAFE Act (12 U.S.C. 5101 et seq.) entitled "Employment Transition of Loan Originators." These amendments became effective November 24, 2019, 18 months after enactment.

Temporary Authority (TA) to act as a loan originator permits qualified MLOs who are either 1) changing employment from a depository institution to a state-licensed mortgage company or 2) a state-licensed MLO seeking licensure in another state, to continue originating loans while completing state-specific requirements for licensure, such as education or testing.

To be eligible for TA, an MLO must be:

- Employed by a state-licensed mortgage company in the application state and either;
 - banking of course hours taken by licensed MLOs
 - approval and renewal of course providers and pre-licensure and continuing education courses

MLOs are not eligible for TA if they have:

- Had an MLO license application denied, or had their license revoked or suspended in any jurisdiction;
- Been subject to, or served with a cease and desist order; or
- Been convicted of a misdemeanor or felony that would preclude licensure under the law of the application state

TA begins on the date an eligible MLO submits a license application with the required background check information (fingerprints, personal history and experience, and authorization for a credit

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

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

report as required in 12 USC 5104(a)), assuming there is no disqualifying event. It ends when the earliest of the following occurs:

- The MLO withdraws the application
- The state denies or issues an intent to deny the MLO's application
- The state grants the MLO a license
- The MLO application is listed on NMLS as incomplete 120 days after it was submitted

S. 2155 specifies that MLOs operating under TA are subject to the requirements of the federal SAFE Act, and all applicable laws of the application state, to the same extent as if that MLO was a state-licensed loan originator licensed by the state.

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 issuing NMLS Unique Identifiers
- Receiving and processing 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 licensed residential MLOs
- Developing and implementing the NMLS Mortgage Call Report
- Making publicly adjudicated disciplinary and enforcement actions available to the public via NMLS Consumer Access. As of year end, 11,015 different regulatory actions, posted by 51 state agencies and the CFPB, were displayed in NMLS Consumer Access.



Appendix C: NMLS Unique Identifier

As required by Section 1503 of the SAFE Act, NMLS assigns a permanent NMLS Unique Identifier (NMLS ID) to each state-licensed or federally registered MLO. NMLS also assigns an NMLS ID to each company, branch, and control person who 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 cannot avoid regulatory supervision in one state by crossing into another state**
- **Enables consumers and 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, MLO, or a federally registered institution or MLO through NMLS Consumer Access.

THE IMPORTANCE OF THE NMLS ID

The Federal Housing Finance Agency and the U.S. Department of Housing and Urban Development require that any loan purchased or securitized by Fannie Mae and Freddie Mac or submitted for insurance by the Federal Housing Administration (FHA) include the NMLS ID for the company and individual MLO who originated the mortgage loan.

The FHA also collects the NMLS ID for all individuals and entities that originate FHA loans.

The private sector, particularly investors and compliance management providers, use the NMLS ID to ensure purchased loans

are being made in compliance with federal and state laws, and to track originator performance levels.

For additional information on the NMLS ID and how it is used, visit the [NMLS Resource Center](#).

Appendix D: Overview Of 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 mortgage loan originator (MLO) licenses and registrations managed in the system
- Fees for the National Test component
- Education fees related to:
 - 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 collecting fingerprints and distribution of the Federal Bureau of Investigation's (FBI's) criminal history record information (CHRI) to authorized recipients
- Credit report fee for pulling a single-bureau report for use by state regulators
- Two-factor subscription fee for providing dual factor authentication for all institution users who have access to more than one MLO's personal identifying information
- Uniform Authorized Agent Reporting (UAAR) functionality user fees
- Merger and Acquisition fees for registration

Other NMLS services, including the NMLS Call Center, NMLS Consumer Access, system access, updating a licensee's record, and system reports are provided to users at no charge.

In addition, 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



purposes of the SAFE Act, including 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 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.** 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 or by the company that may be enrolling its MLOs for the test components.

National Test with Uniform State Content

Fee: \$110 (contains 125 questions with an appointment time of 225 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 in which a course provider records a candidate's or licensee's SAFE Act required education hours in NMLS. NMLS-approved course providers set the fee MLOs pay to take an NMLS-approved course.

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 CHRI 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. System functionality allows 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 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

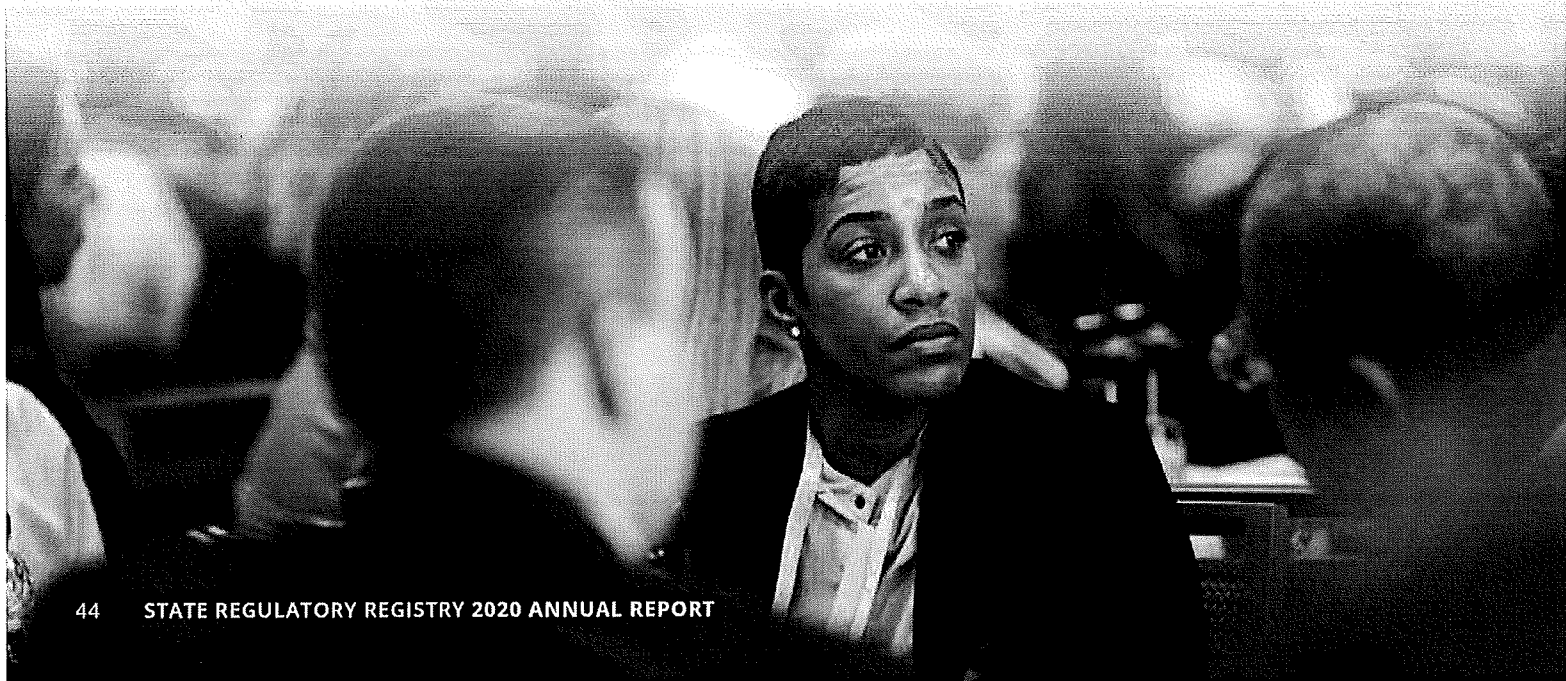
No licensee will pay an annual UAAR processing fee on the first 100 active agents. If a licensee has 100 agents or less, they pay no fee.

Merger and Acquisition Fees for Registration

There are two fees for processing federal registry mergers and acquisitions (M&A) 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 is available on the [NMLS Resource Center](#).





Appendix E: Committee and Working Group Rosters

As of December 31, 2020

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Ms. Julie Ritenour
Navy Federal Credit
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Ms. Shanee Robinson
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MUFG Union Bank

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Navy Federal Credit
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Ms. Samantha Stine
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IMPORTANT NMLS CONTACT INFORMATION



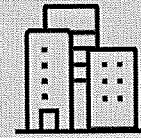
PHONE NUMBER:

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 Modernization

www.csbs.org/nmls/20

NMLS Resource Center

www.nmls.org

NMLS Consumer Access

<https://mortgage.nationwidelicensingssystem.org/about/Pages/NMLSConsumerAccess.aspx>

Federal Registry Resource Center

<https://fedregistry.nationwidelicensingssystem.org/Pages/default.aspx>

NMLS Call Center

<https://mortgage.nationwidelicensingssystem.org/about/Pages/HoursOfOperation.aspx>

NMLS B2B Access

<https://mortgage.nationwidelicensingssystem.org/about/Pages/NMLSB2BAccess.aspx>

NMLS Annual Conference & Training

www.nmlsconference.org

NMLS Ombudsman

<https://mortgage.nationwidelicensingssystem.org/contact/Pages/Ombudsman.aspx>

Criminal Justice Information Services Security Policy

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

NMLS Privacy, Data Security and Security Breach Notification Policy

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

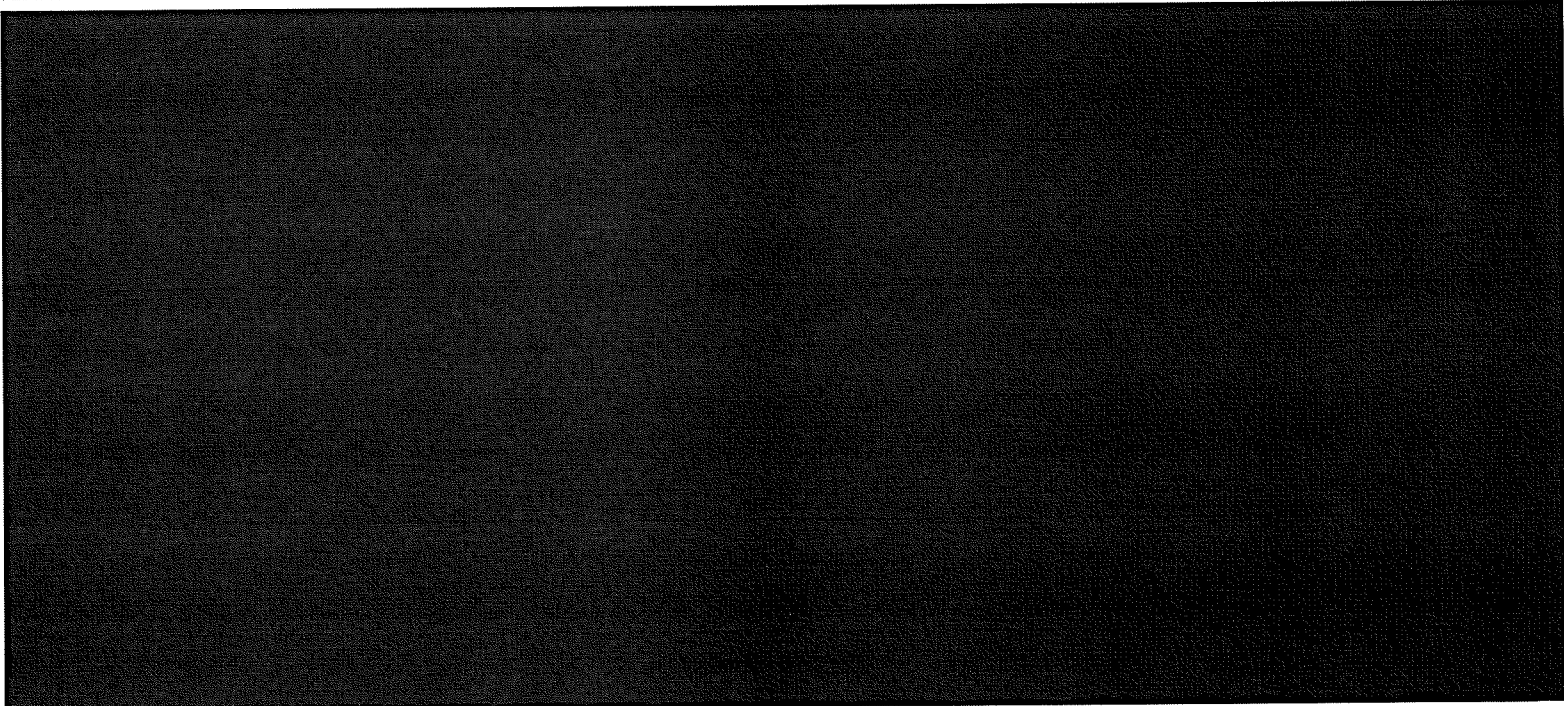


STATE REGULATORY REGISTRY LLC

STATE REGULATORY REGISTRY LLC

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ATTACHMENT

State Regulatory Registry LLC
2020 Audited Financial Statements

State Regulatory Registry LLC

Financial Report
December 31, 2020

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Independent Auditor's Report

RSM US LLP

Board of Managers
State Regulatory Registry LLC

Report on the Financial Statements

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 position as of December 31, 2020 and 2019, the related statements of operations and member'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, 2020 and 2019, 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.

RSM US LLP

Washington, D.C.
May 24, 2021

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State Regulatory Registry LLC

**Statements of Financial Position
December 31, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 77,827,550	\$ 75,276,535
Accounts receivable, net	478,053	545,267
Investments	67,912,030	63,169,603
Prepaid expenses and other	692,897	211,366
Due from related parties, net	970,452	526,005
Property and equipment, net	42,522,278	30,062,897
Total assets	\$ 190,403,260	\$ 169,791,673
Liabilities and Member's Equity		
Liabilities:		
Accounts payable and accrued expenses	\$ 13,383,907	\$ 6,582,973
Deferred revenue	1,612,338	1,433,786
Due to related party, net	5,182,458	3,543,187
Total liabilities	20,178,703	11,559,946
Commitments and contingencies (Note 7)		
Member's equity:		
Undesignated	42,522,278	30,201,286
Designated for reserves and development	127,702,279	128,030,441
Total member's equity	170,224,557	158,231,727
Total liabilities and member's equity	\$ 190,403,260	\$ 169,791,673

See notes to financial statements.

State Regulatory Registry LLC

**Statements of Operations and Member's Equity
Years Ended December 31, 2020 and 2019**

	2020	2019
Revenue:		
NMLS processing fees	\$ 59,450,432	\$ 52,624,135
NMLS professional services, net	15,579,168	11,237,481
Registration fees	202,000	241,562
Other income	-	318
Net investment income	4,932,735	6,512,739
Total revenue and support	80,164,335	70,616,235
Expenses:		
Program expenses:		
NMLS system operations	18,055,172	12,875,343
NMLS professional services	958,472	775,511
NMLS – call center	4,638,979	4,738,830
Professional services – legal, audit and other	6,354,797	4,612,236
Staff, board and member travel/meetings	603,309	1,356,406
Grants to CSBS and Education Foundation	3,217,495	3,210,004
Staffing and administrative expenses:		
Salaries and benefits	25,382,273	22,027,619
Technology and general office	5,615,066	4,363,873
Rent and occupancy	2,005,929	1,952,615
Impairment loss – NMLS development costs	1,340,013	-
Total expenses	68,171,505	55,912,437
Change in member's equity	11,992,830	14,703,798
Member's equity		
Beginning	158,231,727	143,527,929
Ending	\$ 170,224,557	\$ 158,231,727

See notes to financial statements.

State Regulatory Registry LLC

**Statements of Cash Flows
Years Ended December 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in member's equity	\$ 11,992,830	\$ 14,703,798
Adjustments to reconcile change in member's equity to net cash provided by operating activities:		
Depreciation and amortization	3,569,451	2,807,400
Loss on impairment – NMLS development costs	1,340,013	-
Realized and unrealized gain on investments	(3,687,700)	(3,743,813)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	67,214	310,998
Prepaid expenses	(481,531)	(42,389)
Increase (decrease) in:		
Accounts payable and accrued expenses	6,800,934	1,008,491
Due to related parties, net	1,194,824	2,721,858
Deferred revenue	178,552	236,365
Net cash provided by operating activities	20,974,587	18,002,708
Cash flows from investing activities:		
Purchases of property and equipment	(17,368,845)	(16,270,076)
Purchases of investments	(27,228,755)	(1,664,262)
Proceeds from sales of investments	26,174,028	25,785
Net cash used in investing activities	(18,423,572)	(17,908,553)
Net increase in cash and cash equivalents	2,551,015	94,155
Cash and cash equivalents:		
Beginning	75,276,535	75,182,380
Ending	\$ 77,827,550	\$ 75,276,535

See notes to financial statements.

State Regulatory Registry LLC

Notes to the Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: The State Regulatory Registry LLC (SRR) 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.

The NMLS was created to comply with the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act). 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. All individual mortgage loan originators are represented in the system.

A summary of SRR's significant accounting policies follows:

Basis of presentation: SRR reports as a for-profit entity even though it is a disregarded entity of the Conference and reported on the Conference's form 990 information return.

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.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those 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.

Investments: Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is charged or credited to investment return net of related fees.

Financial risk: 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.

State Regulatory Registry LLC

Notes to the Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

SRR invests funds in a professionally managed portfolio that contains money market funds, 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.

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 both December 31, 2020 and 2019. This allowance is regularly reviewed by management.

Property and equipment: Acquisitions of property and equipment greater than \$5,000 are recorded at cost. The initial capitalized development costs of NMLS began amortizing when the system went live on January 2, 2008, and they have been fully 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 is amortized over the estimated useful lives of each release, which has also been determined to be seven years.

SRR's various information technology applications are currently in the process of being upgraded. Accordingly, SRR had capitalized work-in-progress development costs of \$27,178,162 and \$24,073,498 within the NMLS development category as of the years ended December 31, 2020 and 2019, respectively. Amortization of these amounts will begin when the assets are placed into service.

Impairment policy: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. During the year ended December 31, 2019, management did not consider the value of any property or equipment or intangible assets to be impaired. During the year ended December 31, 2020, management determined that intangible costs within capitalized NMLS development costs totaling \$1,336,013 were considered to be impaired, thus, a loss was recorded within the statement of operations and member's equity.

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

Adopted accounting pronouncements: In August 2018, the Financial Accounting Standards Board issued Accounting Standards Updated (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. SRR adopted the provisions of ASU 2018-13 for the year ended December 31, 2020. The adoption of ASU 2018-13 had no impact on the financial statements.

State Regulatory Registry LLC

Notes to the Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Revenue: SRR's activities are primarily supported through NMLS license processing fees and NMLS professional fees. Prices charged to customers are specific to distinct performance obligations and do not consist of multiple transactions. Economic factors are driven by consumer confidence, employment, inflation and other world events that impact the timing and level of cash received and revenue recognized by SRR. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of SRR.

SRR did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

NMLS processing fees: NMLS processing fees revenue consists of NMLS license processing fees, credit card service fees and NMLS subscription revenue.

NMLS license processing fees are fixed amounts charged by SRR to facilitate the obtainment and renewal of licenses through the NMLS. When a license issuance or renewal request is initiated by the customer within the NMLS, the request is transmitted to the selected state agencies who are responsible for making the licensing determination to issue or renew a license. Credit card service fees are fixed amounts charged by SRR to process customer payments through the NMLS. License processing and credit card service fees are recognized at the point in time when SRR processes the transactions through the NMLS. For the years ended December 31, 2020 and 2019, license processing and credit card processing revenue recognized at a point in time totaled \$56,529,784 and \$50,101,046, respectively.

NMLS subscription revenue consists of two-factor subscriptions and B2B subscriptions. For two-factor subscriptions, the customer receives the use of a two-factor authentication tool to meet NMLS security requirements for a period of one year. For B2B subscriptions, the customer receives access to various resources and data online for the selected weekly, monthly, or annual period. SRR's performance obligation for two-factor and B2B subscriptions are considered to occur evenly over the period of the subscriptions. Amounts received for subscriptions are deferred upon receipt and recognized ratably over the subscription period. For the years ended December 31, 2020 and 2019, subscription revenue recognized over time totaled \$2,920,648 and \$2,523,089, respectively.

NMLS professional fees: NMLS professional fees represent the fees charged by SRR to facilitate the pre-licensure requirements of the SAFE Act. These fees include state and national test fees, fingerprinting fees, credit report fees and course provider fees. For state and national test fees, SRR has a performance obligation to act as an agent in processing the customer request through the NMLS to register for exams. After the request is processed through the NMLS, all aspects of exam registration and administration are the responsibility of a third-party provider. For fingerprinting fees, SRR has a performance obligation to act as an agent in processing the customer request through the NMLS for a criminal background check. After the request is processed through the NMLS, all aspects of the criminal background check are performed by the Federal Bureau of Investigation with results returned to the state agencies. For credit report fees, SRR has a performance obligation to act as an agent in processing the customer request through the NMLS for an independent credit report. After the request is processed through the NMLS, the credit report is created by a third-party provider with results returned to the state agencies. State and national test fees, fingerprinting fees and credit report fees are recognized at the point in time when the customer request is processed through the NMLS. For the years ended December 31, 2020 and 2019, state and national test fees fingerprinting fees and credit report fees revenue recognized at a point in time totaled \$9,663,868 and \$7,000,511, respectively, net of expenses paid to the third-party providers.

State Regulatory Registry LLC

Notes to the Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Course provider fees consist of course application fees and credit banking fees. As part of the SAFE Act pre-licensure requirements, licensure applicants must have a certain amount of continuing education credits in approved courses. Course application fees represent SRR's performance obligation to make an approval decision as to whether a course meets the continuing professional education requirements of the SAFE Act. Course application fees are recognized at the point in time when SRR has rendered an approval decision to the course provider. Credit banking fees represent SRR's performance obligation to track education courses that count towards licensure requirements within the licensure applicant's record in the NMLS. Credit banking fees are paid by the course providers to SRR when courses have been completed and revenue is recognized at the point in time when SRR has recorded the course completion details in the NMLS. For the years ended December 31, 2020 and 2019, course provider fees recognized at a point in time totaled \$5,915,300 and \$4,236,970, respectively.

Allocation of functional expenses: Expenses have been summarized on a functional basis in Note 9. Accordingly, costs primarily associated with personnel, professional fees, information technology, supplies and other shared services have been allocated among the program and supporting services benefited on the basis of the labor costs utilized by each area.

Reclassifications: Certain expenses have been reclassified to conform to 2020 presentation.

Subsequent events: Subsequent events have been evaluated through May 24, 2021, which is the date the financial statements were available to be issued.

Note 2. Fair Value Measurements and Investments

The Fair Value Measurement Topic of the ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this topic as assumptions market participants would use in pricing an asset or liability.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. As required by the Fair Value Measurement Topic, SRR does not adjust the quoted prices for these investments even in situations where SRR holds a large position and a sale could reasonably impact the quoted price.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement. There were no Level 2 inputs for any assets or liabilities held by SRR at December 31, 2020 and 2019.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category are investments where fair value is not based on a net asset value practical expedient. There were no Level 3 inputs for any assets or liabilities held by SRR at December 31, 2020 and 2019.

State Regulatory Registry LLC

Notes to the Financial Statements

Note 2. Fair Value Measurements and Investments (Continued)

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, 2020 and 2019:

	2020			
	Total	Level 1	Level 2	Level 3
Fixed income mutual funds	\$ 53,774,456	\$ 53,774,456	\$ -	\$ -
Equity mutual funds	12,342,485	12,342,485	-	-
Equity ETFs	1,770,503	1,770,503	-	-
Fixed income ETFs	12,381	12,381	-	-
Money market funds	12,205	12,205	-	-
Investments carried at fair value	<u>\$ 67,912,030</u>	<u>\$ 67,912,030</u>	<u>\$ -</u>	<u>\$ -</u>

	2019			
	Total	Level 1	Level 2	Level 3
Fixed income mutual funds	\$ 28,343,053	\$ 28,343,053	\$ -	\$ -
Equity mutual funds	10,150,407	10,150,407	-	-
Equity ETFs	1,595,448	1,595,448	-	-
Fixed income ETFs	23,071,381	23,071,381	-	-
Money market funds	9,314	9,314	-	-
Investments carried at fair value	<u>\$ 63,169,603</u>	<u>\$ 63,169,603</u>	<u>\$ -</u>	<u>\$ -</u>

Note 3. Related Party Transactions

Due to/from related party – Conference: 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 net payable amount due to the Conference was \$4,283,491 at December 31, 2020. The net receivable amount due from the Conference was \$2,980,579 at December 31, 2019.

Due to/from related party – CSBS Education Foundation: At December 31, 2018, CSBS Education Foundation (the Foundation) owed SRR \$19,912 for expenses paid by SRR on the Foundation's behalf. At December 31, 2020 and 2019, SRR owed the Foundation \$94,183 and \$97,500, respectively, for expenses paid by the Foundation on SRR's behalf.

Grants to affiliates: For the years ended December 31, 2020 and 2019, SRR made unconditional grants to the Foundation of \$1,067,495 and \$1,060,000, respectively. The grants to the Foundation represent general support for the Foundation's education programs. For the years ended December 31, 2020 and 2019, SRR made an unconditional grant to the Conference in the amount of \$2,150,000 and \$2,150,004, respectively. The grants to the Conference are for the purpose of reimbursing the Conference for non-depository activities performed in support of SRR's program.

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. 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 D.C. offices.

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Notes to the Financial Statements

Note 3. Related Party Transactions (Continued)

Total costs allocated by the Conference to SRR were as follows for the years ended December 31, 2020 and 2019:

	2020	2019
Salaries and benefits	\$ 8,990,859	\$ 8,297,835
Rent and occupancy	2,005,929	1,952,615
Overhead and administrative services	6,821,053	7,807,347
Total allocated costs	<u>\$ 17,817,841</u>	<u>\$ 18,057,797</u>

Note 4. Property and Equipment

Net property and equipment consisted of the following at December 31, 2020 and 2019:

	2020	2019
NMLS development	\$ 89,808,073	\$ 73,779,251
NMLS capitalized test development costs	869,961	869,961
Cogent Background Check Automation System	505,838	505,838
	<u>91,183,872</u>	<u>75,155,040</u>
Less accumulated amortization	(48,661,594)	(45,092,143)
Total property and equipment, net	<u>\$ 42,522,278</u>	<u>\$ 30,062,897</u>

Note 5. 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 total member's equity less investments in items such as NMLS development costs and capitalized test development costs. Thus, the reserve balance at December 31, 2020 and 2019, was \$127,702,279 and \$128,030,441, respectively.

Note 6. Liquidity

SRR strives to maintain liquid financial assets sufficient to cover general expenditures anticipated within one year. Financial assets in excess of daily cash requirements are invested in overnight treasury sweep accounts with commercial banks, mutual funds and ETFs.

The following table reflects SRR's financial assets that are available to meet general expenditures within one year of the statements of financial position date at December 31, 2020 and 2019. Amounts not available are primarily board-designated funds as determined under SRR's Reserve Policy and Liquidity Policy. Continuing development and enhancement of the NMLS licensing database is the largest anticipated future need. In the event the need arises to utilize the board-restricted funds for liquidity purposes, the reserves could be drawn upon through board resolution.

State Regulatory Registry LLC

Notes to the Financial Statements

Note 6. Liquidity (Continued)

	2020	2019
Cash and cash equivalents	\$ 77,827,550	\$ 75,276,535
Accounts receivable	478,053	545,267
Investments	67,912,030	63,169,603
Total financial assets	146,217,633	138,991,405
Board-designated funds for future development	(42,228,817)	(38,428,402)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 103,988,816</u>	<u>\$ 100,563,003</u>

Note 7. Commitments and Contingencies

Vendor relationship: The development of NMLS and its update releases is performed by the Financial Industry Regulatory Authority (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 Modernization: In July 2020, new vendors were selected to redesign NMLS to incorporate the latest technology and streamline the license approval process. The project, which started in October 2020, is expected to cost \$85 million and be completed over the next four years.

COVID-19: On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate the spread of it have had, and may continue to have, an adverse impact on the economies and financial markets of many countries, including the United States of America. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to SRR. The extent of the impact of COVID-19 on SRR's operations and financial performance are uncertain and cannot be predicted. Management continues to monitor the impact of COVID-19 and will adjust operations accordingly.

State Regulatory Registry LLC

Notes to the Financial Statements

Note 8. Functional Presentation of Expenses

The schedule of functional expense at December 31, 2020 and 2019, was as follows:

	2020		
	Program Services NMLS	Management and General	Total
	Expenses:		
NMLS system operations	\$ 18,055,172	\$ -	\$ 18,055,172
NMLS professional services	958,472	-	958,472
NMLS – call center	4,638,979	-	4,638,979
Professional services – legal, audit and other	3,603,934	2,750,863	6,354,797
Staff, board and member travel/meetings	531,077	72,232	603,309
Grants to CSBS and Education Foundation	3,217,495	-	3,217,495
Salaries and benefits	18,046,949	7,335,324	25,382,273
Technology and general office	2,806,635	2,808,431	5,615,066
Rent and occupancy	1,791,008	214,921	2,005,929
Impairment loss	1,340,013	-	1,340,013
Total expenses by nature and function	<u>\$ 54,989,734</u>	<u>\$ 13,181,771</u>	<u>\$ 68,171,505</u>
	2019		
	Program Services NMLS	Management and General	Total
Expenses:			
NMLS system operations	\$ 12,875,343	\$ -	\$ 12,875,343
NMLS professional services	775,511	-	775,511
NMLS – call center	4,738,830	-	4,738,830
Professional services – legal, audit and other	1,646,248	2,965,988	4,612,236
Staff, board and member travel/meetings	1,028,890	327,516	1,356,406
Grants to CSBS and Education Foundation	3,210,004	-	3,210,004
Salaries and benefits	15,450,586	6,577,033	22,027,619
Technology and general office	1,337,031	3,026,842	4,363,873
Rent and occupancy	1,743,406	209,209	1,952,615
Total expenses by nature and function	<u>\$ 42,805,849</u>	<u>\$ 13,106,588</u>	<u>\$ 55,912,437</u>