

LENDERS COMPLIANCE GROUP

“Converting Risk to Opportunity”

ADVISORY OUTLINE

A NEW Nationwide Mortgage Regulatory Framework

Nationwide Mortgage Licensing System (NMLS)

The Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) have implemented an Internet-based system that will serve as the operational framework to enhance mortgage origination and supervision. The new system, Nationwide Mortgage Licensing System (NMLS), became operational on January 2, 2008. The NMLS was implemented as a key component of the mortgage reform bill passed by the House of Representatives on November 15, 2007.

The purpose of the NMLS consists principally of five (5) reasons:

1. Improve the efficiency and effectiveness of state supervision;
2. Enhance consumer protection;
3. Fight mortgage fraud and predatory lending;
4. Increase accountability among mortgage industry professionals; and,
5. Unify and streamline state license processes for lenders and brokers.

State licensed mortgage lenders, brokers, and loan officers will be required to apply for, amend, update, and renew their licenses using the NMLS. This database will only process license applications or renewals. Each state agency will retain its regulatory authority to approve, deny, suspend, or revoke licenses. However, the NMLS will allow applications and amendments to be checked for completeness, the status of applications, payment of online licensing fees (ACH or Credit Card), online communications from regulators, and view historical filing and license data. The NMLS will also notify changes in licensing status. Certain jurisdiction specific requirements, such as a surety bond or financial statements, will need to be mailed outside the system within five (5) business days of submission of an application to the NMLS.

There are three (3) types of **processing fees** associated with the NMLS:

- Initial Set-up Fee: charged each time a company (MU1 \$100.00), Branch (MU3 \$20.00), or Loan Officer (MU4 \$30.00) applies to a state through NMLS for a license.¹
- Annual Processing Fee: charged annually, typically at the time of renewal. (MU1 \$100.00, MU3 \$20.00, and MU4 \$30.00).

- Loan Officer Sponsorship Transfer Fee: charged each time NMLS processes a company request to establish a relationship with a loan officer and sponsor that loan officer's existing license. (Only MU4 \$30.00) ²

There are no other system processing fees associated with the NMLS, no matter how many times a user accesses the system or amends a license record.

Access to the NMLS will be given not only to lenders, loan officers, and regulators but also is expected in 2009 to inform consumers regarding public licensing and enforcement. At this time, seven (7) states are participating in the NMLS: Idaho, Iowa, Kentucky, Massachusetts, Nebraska, New York and Rhode Island. However, forty-two (42) state agencies representing mortgage regulators in forty (40) states have indicated their intent to transition onto the NMLS database. Fifty (50) states are expected to implement the NMLS, anticipating an enrollment of more than 500,000 company and professional licensees. As states make their transition dates official, these dates will be announced through press release, direct, written communication to existing licensees, and updates to the NMLS registration website as well as the State Regulatory Registry, LLC, (SRR), a corporate entity created by the CSBS and the AARMR to develop and operate nationwide systems for state regulators in the financial services industry.

Each state will own the licensing application data on its licensees. NMLS will not release non-public data to anyone other than the states that own the data. State agencies will not have access to non-public data of organizations or persons not licensed in their state. Additionally, licensing application data in the system will continue to be subject to each state's privacy laws. These privacy laws will be administered by each participating state agency.

The following chart provides the anticipated roll out schedule and future functionality:

NMLS System Roll Out and Future Functionality

January 2, 2008	CY 2008	CY 2009	CY 2010
Idaho	New Hampshire	Arizona	Additional states are anticipated during 2010.
Iowa	Washington	Georgia	
Kentucky	Wyoming	South Dakota	
Massachusetts	Louisiana	Arkansas	
Nebraska	North Carolina	Connecticut	
New York	Vermont	Oregon	
Rhode Island	Pennsylvania	Missouri	
	Mississippi	New Jersey	
		South Carolina	

Each state has prepared a transition plan. Current licensees will be required to transition their license information in accordance with each state's transition plan. For currently participating states, new applicants must comply with registration through the NMLS as of January 2, 2008.

Written guidance and forms for registration are provided at the NMLS site. These consist of Workflow Guides, Quick Guides, MU Forms (i.e., uniform licensing application forms), and Tutorials. Also, web casts will be offered. Access to the website at this time is given to mortgage companies, loan officers, and regulators. User ID and Password protocol are given to Administrators. There is a Call Center [Telephone: 240-386-4444, 9:00 am to 6:00 pm (EST) M-F]. The NMLS itself is fully active weekdays (7:00 am to 11:00 pm) and Saturdays (8:00 am to 6:00 pm, except the third Saturday of each calendar month). Limited availability pertains at other times, Sundays, and Martin Luther King, Jr. Birthday, President’s Day, Good Friday, Memorial Day, Independence Day, and Labor Day. There is no availability on New Year’s Day, Thanksgiving Day, or Christmas Day.

The above-mentioned states have set forth transition deadlines, as follows:

NMLS Transition Plans – State Deadlines

State	Agency	Transition Deadline
Idaho	Department of Finance	September 1, 2008
Iowa	Division of Banking	June 1, 2008
Kentucky	Office of Financial Institutions	June 20, 2008
Massachusetts	Division of Banks	April 15, 2008
Nebraska	Department of Banking and Finance	March 1, 2008
New York	State Banking Department	July 1, 2008 *
Rhode Island	Department of Business Regulation	March 31, 2008

* Existing Loan Officers only; new entrants, 04/01/08

Nationwide Mortgage Licensing System (NMLS) is accessed at: ³
www.stateregulatoryregistry.org/NMLS//AM/Template.cfm?Section=Home3.

State Regulatory Registry, LLC (SRR) is accessed at
<http://www.stateregulatoryregistry.org//AM/Template.cfm?Section=Home2>.

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¹ Uniform licensing application forms.

² The MU4 establish relationship fee does not go into effect until the latter part of 2008.

³ **Lenders Compliance Group** offers a detailed procedural review of the compliance requirements needed to implement the licensing registration of mortgage lenders, brokers, and loan officers onto the NMLS.

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