



NMLS Ombudsman Virtual Meeting

Our biannual meeting to address the issues that matter to you

April 7, 2022, 2:00 p.m. to 5:00 p.m. ET
[Click here](#) to register.

Agenda

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| 1. <i>Ombudsman Update</i> | Jim Payne, NMLS Ombudsman, Kansas Office of the State Bank Commissioner |
| 2. <i>NMLS Modernization & SES Update</i> | Kyle Thomas, CSBS |
| 3. <i>NMLS Company Account Request Process & Delays</i> | Mike Casagrande, CSBS |
| <i>Break</i> | |
| 4. <i>The Pandemic & Remote Work</i> | Cindy Corsaro, Promontory MortgagePath LLC Kobie Pruitt, Mortgage Bankers Association |
| <i>Break</i> | |
| 5. <i>Change of Control Approval Processing Times</i> | Haydn Richards, Bradley |
| <i>Break</i> | |
| 6. <i>Money Services Businesses Call Report</i> | Lucy Gonzales, Netspend |

Additional Panelists

- Nicole Bullock, Massachusetts Division of Banks
- Rich Cortes, Connecticut Department of Banking
- Maureen Camp, Washington Department of Financial Institutions
- Jay Drake, Arkansas Securities Department
- Brandi Eble, Kansas Office of the State Bank Commissioner
- Emily Frazier, North Carolina Commissioner of Banks Office
- Melissa Koupal, Loan Depot
- Will Lawrence, Nebraska Department of Banking and Finance
- Rick Posey, California Department of Financial Protection and Innovation



Ombudsman Exhibit Submissions

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|---|-----------|
| Cindy Corsaro, Promontory MortgagePath LLC | Exhibit 1 |
| <i>Return to Office Protocol & NMLS Modernization – State Applications and Amendment Checklists</i> | |
| Kobie Pruitt, Mortgage Bankers Association | Exhibit 2 |
| <i>Applying the Lessons Learned from Licensing Flexibility during the Pandemic to a Post Pandemic Licensing Environment</i> | |
| Haydn Richards, Bradley | Exhibit 3 |
| <i>Change of Control Approval Processing Times</i> | |
| Lucy Gonzales, Netspend | Exhibit 4 |
| <i>Money Services Businesses Call Report</i> | |



March 9, 2022

NMLS Ombudsman
Conference of State Bank Supervisors (CSBS)
1129 20th Street NW
Washington, DC 20036

Re: NMLS 2022 April Ombudsman Meeting topics – Cindy Corsaro

Dear NMLS Ombudsman:

Thank you for your request for discussion topics for the 2022 April Ombudsman Meeting. These are the issues I would like to address:

1) Return to Office Protocol:

As recently discussed at the NMLS Annual Conference, it is of utmost importance that regulators and industry continue to communicate and address remote operations and the impact on the mortgage industry. The issue still remains regarding how we determine the guidelines for licensed entities, their MLOs and other employees to transition back to the office and normal operations if required or engage in permanent remote operations when allowed. Here are some of the questions and concerns:

- a. To date, only three states have required licensed mortgage entities to return to the office. Several states have enacted legislation to make remote operations permanent, and more states are starting the process to make remote operations permanent or have extended their guidance indefinitely. However, some states have remained silent without any further guidance regarding when their exemptions will expire or if they are considering adopting legislation to make remote operations permanent. We would like to respectfully request that all silent states issue guidance regarding remote operations in their jurisdictions so that entities licensed in more than one state and/or area of business activity can anticipate their operations and staffing requirements and adjust their supervisory plans accordingly.
- b. With so many differing approaches from states regarding remote operations, there is a real need for industry to have a more organized, uniform approach to addressing remote operations. As each state has issued their guidance, it has become clear that there are standards across all states that must be met, with only certain states enforcing state-specific requirements. For ease of reference and based upon the guidance already issued by the states allowing remote operations, we would like to respectfully request that the CSBS create a list of standard requirements for all states, and include the state-specific requirements as well in the NMLS, so that we all have a centralized reference point. As more states allow these activities, a list of basic and state-specific requirements in a central location will become essential. While we are grateful to the CSBS for the spreadsheet



currently in the NMLS for tracking new state guidance as it is issued, it is a bit cumbersome to use as you have to click on each state to find out relevant information. An “at a glance” guide, similar to the renewal requirements spreadsheet, would assist industry in remaining compliant in this ever-changing environment of remote operations, and might even help state regulators who are considering permanent remote operations review the requirements enforced by others while making their decisions!

- c. Last, if and when a state’s guidance or exemption for remote operations is expiring, prior notice of 30 – 60 days from either the state or the NMLS would be beneficial so that entities can plan accordingly.

2) NMLS Modernization – State Applications and Amendment Checklists

In the largely remote world we are living in now, would it be possible to modify the state Application and Amendment Checklists to allow pdf copies of application documents and digital rather than wet-signed signatures whenever possible? This would reduce FedEx expenses for all of us and make it easier to submit timely application documents!

Also, thank you to those regulators who have updated their Application and Amendment Checklists in the NMLS. As we await the NMLS Modernization initiative, it would be beneficial if all states could review and update their checklists to reflect current requirements. I know this topic comes up regularly, but I recently came across checklists that were from 2017, 2014, and even one from 2013! Considering how much the industry has changed in recent years, it would be helpful if our state regulators could review and update all of their checklists to reflect current standards and requirements.

Thank you as always for the opportunity to present these observations, questions, and concerns.

Sincerely,

Cindy Corsaro.

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MORTGAGE BANKERS ASSOCIATION

Applying the Lessons Learned from Licensing Flexibility during the Pandemic to a Post Pandemic Licensing Environment

The Mortgage Bankers Association (MBA)¹ and its member companies thank state policymakers for their leadership during the global Coronavirus pandemic for issuing guidance that has provided real estate finance industry staff the necessary flexibility to work from other than a licensed location in those that have branch or office mandates. These “no action” letters and temporary authorizations have been essential to protect the health of mortgage loan originators (MLOs) and other team members as well as the customers they serve. Mostly importantly, this policy allowed state licensed staff to help those consumers who lost their jobs or suffered income loss to stay in their homes through a mortgage forbearance and ultimately a sustainable post-forbearance option.

MBA is now urging state regulators to continue aggressively supporting policies that permit licensing flexibility by adopting MBA’s model state statute and rules to permanently allow remote work (see attached). Our association’s model is based on the regulatory flexibility already issued by many of your state colleagues throughout the country. In the past 12 months, 14 states have already adopted language aligned with our model that provides permanent permission for MLOs to work away from a licensed branch in those states that require it. MBA believes that these states have taken appropriate steps to prepare for potential national emergencies or more likely natural disasters that will require meeting a borrower’s urgent needs outside of a licensed location.

In addition, to support this important policy change, MBA also urges state regulators to issue extensions until at least December 31, 2022 for any existing temporary written guidance.

The pandemic has tested both the industry and regulators to rethink and change their operational models. The licensing policies that were implemented to address the

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 330,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation’s residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 1,900 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA’s website: www.mba.org.

pandemic and permit remote work have helped better prepare the mortgage finance industry and regulators for future uncertainties.

Moreover, despite recent improvements, thousands of new cases and deaths are occurring daily, and the pandemic has not yet ended. The emergence of new coronavirus strains and the reluctance of many of our neighbors to get vaccinated, will continue to challenge our public health infrastructure as we struggle to keep our loved ones, friends, customers, and colleagues safe.

Issuing guidance in-line with MBA's model and allowing MLOs to meet with borrowers away from a licensed branch will also help create greater competition in underserved communities. Our association's model can help mortgage lenders better serve those in rural communities and communities of color without compromising important consumer and data protections.

Again, MBA encourages state policymakers to issue long term extensions of existing temporary remote work flexibilities for licensed staff through at least December 31, 2022, and to help pass state statutes and/or promulgate rules to ensconce these changes into permanent law.

MBA welcomes the opportunity to engage the Ombudsman and other state regulators further on this issue. If you have any questions, please contact me (kp Pruitt@mba.org or 202-557-2870).

Bests,

A handwritten signature in black ink, appearing to read 'Kobie Pruitt', with a stylized flourish at the end.

Kobie Pruitt
Director, State Government Affairs
Mortgage Bankers Association

March 18, 2022

Mr. Jim Payne
NMLS Ombudsman
c/o Conference of State Bank Supervisors
1129 20th Street, NW, 9th Floor
Washington, DC 20036

Dear Mr. Payne:

On behalf the Bradley Financial Services and Licensing Team and other members of the financial services industry, I would like to thank you for the opportunity to present an issue that I believe warrants the attention of state regulatory agencies.

By way of background, it has been my distinct privilege over the last twenty (20) years to work very closely with regulatory agencies in each of the 50 states, the District of Columbia, and the United States territories. I am so thankful that I have been able to work in this space, with so many truly talented and excellent people. Having such talented people supervise and regulate licensed financial services companies provides me with great confidence of the safety and soundness of our state financial system.

Much has happened over the 20 years I have been involved in this industry. For example, I have witnessed: (1) the rise of subprime lenders and their eventual collapse; (2) the ensuing financial crisis and the Great Recession; (3) the development of the NMLS, SES, and related initiatives; (4) a refinance boom, the result of historical low interest rates; (5) the rise and prevalence of Fintech; and (6) the dramatic changes we all would experience as a result of the COVID-19 pandemic. While there have been incredible changes during that time (who remembers sending – or receiving - boxes of license applications in paper format for processing?), there has been one constant, and that constant now appears to be under strain. Specifically, licensing processing times relating to approvals for transactions (i.e, changes of control or ownership) have tended to be constant¹.

Over the course of my career, I have handled countless transactions and those transactions could not have been successful without an important partnership with the state regulatory agencies. We commit to helping our clients prepare and submit accurate, thorough, and complete change of control packages to ensure that regulators can review and process those applications in as expeditious a manner as possible. In return, over 20 years, the state regulatory agencies have been remarkably consistent – approvals for transactions typically will be granted within 60 days of receipt of a complete package². As a result, this ensures that the Merger and Acquisition (“M&A”)

¹ The focus of this letter is only upon regulators that must approve changes of ownership of licensees prior to the closing of a transaction. It does not pertain to those regulators that merely require advance notice, post-closing notice, or which do not require notice concerning ownership changes.

² Certain regulators and/or licenses may be an exception. Even those licenses or regulators that have longer timeframes have been remarkably consistent with their own processing times. I further note that the facts and circumstances relating to each transaction can result in meaningful timing differences – both to reduce or lengthen

Mr. Jim Payne
March 18, 2022
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activities in the financial services sector move forward in a regular and consistent manner. Ample time is provided so that regulatory agencies can review and thoughtfully consider proposed transactions, while such time is not so great as to put stress on companies and the broader M&A market.

More recently, however, we have noticed that timeframes for processing changes of control have significantly increased. This is not a COVID-19 phenomenon – as processing times during 2020 tended to be quite similar to the historical timeframes we witnessed. Rather, the lengthening of timeframes – in many states – has taken place over the last 6-12 months. We are uncertain why this is occurring, and it is not isolated to a small number of jurisdictions. Unfortunately, changes of control cannot take place until the final state change of control approval is received. That means that these timeframes result in elongated transactions. Extending the timeframes associated with requests for approval of changes of control can have significant, adverse impacts on licensees. Such negative consequences can include, among others: (1) deterioration of the workforce of licensees; (2) meaningful deterioration of the value of a transaction; (3) adversely impacting the financial health of the licensee; and (4) negative treatment of the licensee by current or future business partners.

Earlier this year at the Independent Mortgage Bankers Conference presented by the Mortgage Bankers Association, I learned that M&A activity over the next 18 months is expected to increase substantially due to economic conditions. Other areas of financial services will presumably follow suit. Because I, and many others in industry have noticed the changes to the timeframes for processing changes of control, we were hoping to engage with the various regulatory agencies to see whether there was anything that industry may be able to do so that the timeframes associated with review and processing for changes of ownership can revert to the historical, and more optimum timeframes experienced over the last 20 years.

As noted earlier, it is my privilege to be able to work and engage with you on matters such as this one. I look forward to discussing this in greater detail with you. Please do not hesitate to contact me at (202) 719-8217 or at hrichards@bradley.com if you have any questions. Thank you.

Sincerely,



Haydn Richards

processing times. That said, depending upon particular licensing profiles for licensees, most transactions historically could be approved within 60 days of the submission of complete change of control applications.



Lucy Gonzales
Regulatory Manager

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March 31, 2022

Jim Payne
NMLS Ombudsman

RE: NMLS Ombudsman Meeting

Dear Mr. Payne:

I manage the state money transmitter licensing for Netspend Corporation. Netspend is a licensed Money Transmitter in all of the states that regulate it. We have received conflicting direction from several states on how to complete the MSB Call Report. Specifically, the following fields in the MSB Call Report are at issue:

FC 200 - Outstanding money received for transmission liability

FC 210 - Outstanding payment instruments

When we originally began filing the MSB Call Report, we were reporting all outstandings in the FC 200 field. About a year ago, we had a state reach out and advise us to report a certain portion of their state specific outstandings under FC 200 and the other portion of their state specific outstandings under FC 210. We expressed concern to them about splitting up the outstandings between the Money Transmission and Payment Instruments buckets in the Financial Condition section of the MSB Call Report since that portion of the MSB Call Report is not state specific and multiple states rely on that information; however, they insisted on the change and we complied. Subsequently, a number of states have advised us that we are not completing the MSB Call Report per the *MSB Call Report Field Definitions*. We would love assistance in resolving this issue as it is impossible to comply with both sets of guidance and we don't want to have to pick sides. We're happy to report the information either way, but just need the states to reach a consensus.

Thank you in advance!

Very truly yours,

Lucy Gonzales
Regulatory Manager