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## NMLS Ombudsman Virtual Meeting

September 6, 2023, 2:00 p.m. to 4:30 p.m. ET

[Click here to register.](#)

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### ***Agenda***

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| 1. <i>Welcome, Ombudsman Update &amp; Meeting Structure</i>                                  | <b>Jim Payne, NMLS Ombudsman, Kansas Office of the State Bank Commissioner</b> |
| 2. <i>NMLS Program Update</i>  | <b>Dave Dwyer, CSBS</b>  |
| 3. <i>Nonprofit State Consumer Lending Licensing Barriers &amp; The Need for a Model Law</i> | <b>Dara Duguay, Credit Builders Alliance &amp; CBA Fund</b>                    |
| 4. <i>Employment Reporting &amp; Registered Location Issues</i>                              | <b>Christine Summer, Primary Residential Mortgage, Inc.</b>                    |
| 5. <i>MBA Comments – Mortgage Call Report Form Version 6 2024 Q1 Release</i>                 | <b>Rick Hill, Mortgage Bankers Association</b>                                 |
| 6. <i>Upcoming Renewal Season Update &amp; Reminders</i>                                     | <b>Courtney Gifford, CSBS</b>  |
| 7. <i>Open Chat</i>  | <b>All</b>   |



***Ombudsman Exhibit Submissions***

Dara Duguay, Credit Builders Alliance & CBA Fund <i>Nonprofit State Consumer Lending Licensing Barriers &amp; The Need for a Model Law</i>	Exhibit 1
Christine Summer, Primary Residential Mortgage, Inc. <i>Employment Reporting &amp; Registered Location Issues</i>	Exhibit 2
Pete Mills, Mortgage Bankers Association <i>FYI – Mortgage Call Report Form Version 6 2024 Q1 Release</i>	Exhibit 3
Vickie Peck, CSBS <i>CSBS Response to MBA Comments – Mortgage Call Report Form Version 6 2024 Q1 Release</i>	Exhibit 4



August 11, 2023

Dara Duguay  
CEO  
Credit Builders Alliance & CBA Fund  
1701 K Street NW, Suite 1000  
Washington, DC 20006

Dear NMLS Ombudsman,

I am responding to the call for suggested topics for the NMLS Ombudsman meeting on Wednesday, September 6, 2023. I would like to suggest a discussion of the barriers that nonprofit lenders face in state consumer lending licensing and the need for a model law.

CBA Fund is a Community Development Financial Institution (CDFI) intermediary dedicated to catalyzing and growing the capacity of nonprofit lenders to offer small dollar consumer loans (SDCL) in their communities as a safe and affordable alternative to high-cost predatory loans.

CBA Fund recently conducted a survey of nonprofit lenders to understand their barriers to providing SDCLs in their communities. Many listed the state consumer lending licensing process as a main barrier to starting a SDCL program. Consumers need access to short term credit options to build credit, cover unexpected needs, and maintain financial stability, but many nonprofit lenders shy away from providing small dollar loans due to the confusing, time consuming, and often costly consumer lending license process in many states.

The main challenge is that in some states, the licensing process for small dollar consumer lending does not differentiate between high-cost predatory lenders and mission-driven nonprofit lenders (i.e., CDFIs) who are providing access to low-cost loans, often at 0% interest. Often, state statutes do not reference nor acknowledge the model of lending that nonprofits and mission-driven lenders are engaging in. Thus, many lenders have difficulty citing a statute that proves they are exempt from needing to go through an often-burdensome consumer lending licensing process. Additionally, absent a lending license or proof of exemption, lenders are not able to pass the credit bureaus' credentialing process and therefore are unable to report their loans.

Some states recognize the important role that nonprofit lenders and CDFIs play in creating financial inclusion for low- to moderate-income consumers, who tend to be communities of



color. These state regulators have included specific statutes either exempting mission-driven lenders from needing a consumer lending license or streamlining the process for

them. However, in many states we have seen a lack of clarity and consistency, which means that nonprofit lenders are often unable to determine if they need to apply for a consumer lending license or if they are exempt from one. The unfortunate consequence is that many decide not to start a consumer lending program.

To summarize, here are the two main issues:

1. Nonprofits have trouble determining if they're exempt because statutes don't even refer to nonprofits and their lending models; and,
2. They aren't exempt and the consumer lending licensing process is time consuming, expensive, and often overly complicated (i.e., involves the nonprofit Board members needing to get fingerprinted, etc.)

CBA Fund would like to encourage the adoption of a model law that state supervisors can apply consistently across all U.S. states and territories. This would enable the states to vet, in a consistent manner, the nonprofit lenders who would like to provide small dollar consumer loans. A uniform law and process for all mission-driven lenders would greatly increase the number of nonprofit lenders providing access to safe and affordable small dollar consumer credit, while still protecting consumers.

To join us in this discussion will be two of CBA's members- Capital Good Fund and the IRC's Center for Economic Opportunity- who can both attest to the difficulties that they face as nonprofit lenders.

Sincerely,

Dara Duguay  
CEO

**PRMI****Primary Residential  
Mortgage, Inc.**

August 16, 2023

RE: NMLS Case Number 23325129

Dear Ombudsman,

Our company received a deficiency regarding updating a registered location, and we are unsure how to resolve. We have a Mortgage loan originator that is licensed in a state that does not require branch licensing. He has been licensed and had a relationship with our corporate office location since April 7, 2022. His employment history has the actual branch location not our Corporate Office address. A business decision was made to add a state that does require branch licensing, so we built a Branch NMLS record and applied for the State license and entered the branch address that is listed in his employment history.

The new state placed a deficiency stating that the relationship history and the employment history do not match. They requested that we change the relationship, by ending the corporate relationship on the same date that we created it back in 2022. They stated that we will need to create a case with the NMLS to change the relationship date on the new branch record to the date that we first created the corporate relationship.

We called the NMLS and explained the situation to an NMLS Agent. He was unable to identify a resolution, so he suggested that we open a case and see if the NMLS management team could either resolve the issue or explain to the state that placed the deficiency, that their request cannot be resolved by changing Registered location dates.

If we change the date of the registered location on the Branch record, we just created, it will appear to the state that does not require branch licensing, that he was not tied to our company license when his application was submitted years earlier. We see this could be an issue in other filings, and we want to be sure we have a solution. Any feedback or resolution to this issue would be much appreciated.

Sincerely,

Christine Summers  
Licensing Manager



MORTGAGE BANKERS ASSOCIATION

July 14, 2023

Mr. James M. Cooper  
President & CEO  
Conference of State Bank Supervisors  
1300 I Street NW, Suite 700 East  
Washington, DC 20005

**Re: FYI – Mortgage Call Report Form Version 6 2024 Q1 Release**

Dear Jim,

Mortgage Bankers Association<sup>1</sup> (MBA) continues to appreciate the collaborative relationship between our organizations, and among our respective members. They appreciate the challenges CSBS and the state regulator community face in bringing greater consistency to various state requirements – it is not an easy task. As evidenced by the current regulator-industry collaboration on the MISMO Lender Examination File Format Working Group, there is much promise that can come from this effort.

It is in that spirit that we reach out regarding the June 20th announcement on [www.NMLS.org](http://www.NMLS.org) of the upcoming changes to the NMLS Mortgage Call Report (MCR).<sup>2</sup> MBA wanted to take a moment to relate some thoughts that have been expressed to us by representatives of our member companies to you and your team at CSBS. Some of these topics relate specifically to the MCR and others relate to the potential for alignment or divergence with the reporting requirements of the Mortgage Bankers Financial Reporting Form (MBFRF).

### ***Expansion of Reporting Requirements to New Organizations***

Although it is not clearly spelled out in the new requirements, MBA understands that under the new MCR Version 6.0, some lenders and servicers that were not previously required to report certain data would be subject to the same reporting requirements as other

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<sup>1</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 400,000 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 2,200 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](http://www.mba.org).

<sup>2</sup> <https://mortgage.nationwidelicencingsystem.org/slr/common/mcr/Pages/default.aspx>

organizations. These organizations are primarily smaller entities that are not Fannie Mae or Freddie Mac seller servicers or Ginnie Mae issuers.

MBA has concerns about the expansion of reporting requirements to these organizations. First, nothing has been issued publicly to provide notice of the specific changes to the affected parties. Presumably, these organizations are expected to review all the material regarding the reporting changes posted on the NMLS website and interpret which sections are now applicable to their organization. Secondly, and perhaps of most importance, the affected entities are likely to be smaller lenders. Reporting this more detailed information is costly for smaller organizations. Given the ongoing market and regulatory pressures in the mortgage industry, the fixed costs of expanded reporting may force smaller organizations to consolidate with other small lenders or exit lending.

We recommend that consideration be given to requiring a minimum number of transactions to trigger the reporting requirement. A minimum transaction count would not preclude a state from requesting the necessary information from the lender at the time of an examination. Moreover, exempting smaller lenders from reporting should not adversely affect regulators from having the appropriate data for macro level analysis. HMDA reporting, which overlaps with some of the MCR requirements, has not been harmed by the inclusion of minimum reporting requirements.

### ***Technical Reporting Requirements***

The CSBS announcement included data inputs and definitional information, but it lacked important technical specifications needed for full consideration of the proposal. Subsequent staff conversations inform us that the earliest date for the release of these details could be at some point in August. MBA understands it is appropriate for CSBS and state regulators to take time necessary to release certain aspects of each change, however these technical specifications are needed before the consideration of a viable implementation timeline for the new requirements.

MBA suggests that CSBS develop and issue several documents to assist industry with complying with the new requirements. The first document should be a comparison for each type of submitter on what was previously required under the standard or expanded forms, compared to the new MCR Version 6.0 that all entities are now expected to complete. This will allow lenders to best understand the new data elements that need to be reported for their business lines. Second, there should be a comparison on how the new MCR Version 6.0 compares to the current MBFRF, which is already a requirement for Fannie Mae and Freddie Mac Seller-Servicers and Ginnie Mae Issuers and has been updated since the original effort to better align the MCR with the MBFRF. This would include data inputs, definitions, and technical requirements. Finally, MBA members report to us that the NMLS website is confusing and difficult to use, with multiple references and links to other links. As part of the MCR update, MBA would suggest a thorough revamp of the MCR components of the site to allow submitters to better access the information that they need for implementation.

July 14, 2023

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### ***Public Comment and Implementation***

MBA believes the fully defined MCR reporting changes should be subject to a traditional comment period of 90 days. The MCR has been subject to changes over the years, and on each occasion, changes have been accompanied by a notice and comment period. Indeed, the current proposal was the result of just such a process. However, that activity took place more than five years ago in 2018.<sup>3</sup> There has been much change in the mortgage industry since that time, and the MCR with all its detailed components should be first subject to a notice and comment period.

Following review of stakeholder input from a notice and comment process, MBA further believes that an 18-month implementation period is appropriate. Mortgage lenders and servicers rely on the vendor community to fulfill many reporting requirements, and these companies will need time to review the final requirements, develop plans, execute any software changes, and train their clients in the new methods. This is no simple matter and could cause new issues to develop that will, in turn, require patience and ample time to resolve.

Finally, MBA appreciates CSBS's efforts to align the MCR with the MBFRF where possible and encourages CSBS to foster future collaboration to further this alignment in future changes. With appropriate tailoring for smaller entities that do not sell to the GSEs or issue Ginnie MBS, this alignment would significantly reduce industry uncertainty and costs achieved from the reduction of any divergent requirements.

Thank you for your consideration and ongoing partnership.

Sincerely,



Pete Mills  
Senior Vice President  
Residential Policy and Strategic Industry Engagement  
Mortgage Bankers Association

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<sup>3</sup> <https://mortgage.nationwidelicensingsystem.org/news/ProposalsForComment/2018-1%20Comments.pdf>





August 11, 2023

Pete Mills  
Senior Vice President  
Residential Policy and Strategic Industry Engagement  
Mortgage Bankers Association

Re: MBA Comments – Mortgage Call Report Form Version 6 2024 Q1 Release

Dear Pete,

Thank you for your July 14, 2023, letter on our Version 6 2024 Q1 release announcement of the Mortgage Call Report (MCR). CSBS appreciates the long-standing collaborative relationship between our organizations. Such collaboration has benefitted state regulators as well as mortgage consumers and the greater marketplace. Good supervision includes transparency and open dialogue with industry and in this spirit, we respond to your comments.

Your letter is primarily focused on Version 6 of the MCR, and I address that matter first. You also address the potential for alignment or divergence with the reporting requirements of the Mortgage Bankers Financial Reporting Form (MBFRF). We too have interest in this matter, and I will provide our thoughts on this following my response to your MCR comments.

#### General Discussion and Response

One of the primary purposes of Version 6 is to simplify the filing process by basing reporting requirements on a company's business activities instead of a company's affiliation with Fannie Mae, Freddie Mac, or Ginnie Mae. By doing so, we will collect more relevant data from each mortgage licensee and eliminate state-specific reporting outside of NMLS.

The issues you raise around timing and readiness are valid concerns and we are currently considering how best to address those concerns. Due to the timing delays between the 2018 comment period for Version 6 and proposed implementation, filers may have lost context for what state regulators are accomplishing with these changes. However, as you point out, the industry has changed during this time, and we are sensitive to how those changes affect all stakeholders.

Before directly addressing MBA's concerns and suggestions, I will lay out what each filer type can expect with Version 6. Please note that a by-product of Version 6 is that we intend to begin eliminating references to "Standard" and "Expanded" filers and move more to a filer type based on activity (e.g., servicer, lender, or broker mortgage institution).



First, there are minimal new filing requirements for brokers who are not engaged in lending or servicing (typically Standard filers). These filers will continue to file mortgage origination data quarterly and financial condition data annually as they have done under Version 5. Non-applicable sections of the MCR will be automatically zero-filled. In addition, brokers will no longer be required to provide Company-Level Information on servicing and lines of credit for their MCR filing. Some regulators will require a new section called the State-Specific Supplemental Form, which will allow state regulators to collect data on commercial and consumer lending as well as on third-party loan processing and underwriting. If a broker is not engaged in the activity, they should zero-fill the section.

Mortgage institutions engaged in lending or servicing that are approved by Fannie Mae, Freddie Mac, or Ginnie Mae (formerly referred to as Expanded filers) will continue to file mortgage origination, lending, and servicing data and financial condition quarterly as they were required to file under Version 5. Companies who are engaged only in lending or only in servicing will notice that non-applicable sections of the MCR will be automatically zero-filled. The new State-Specific Supplemental Form section will also apply to these entities, if required by their regulators.

Mortgage institutions engaged in lending or servicing who are not Fannie Mae, Freddie Mac, or Ginnie Mae approved (formerly referred to as Standard filers), will also file mortgage origination, lending, and servicing data and financial condition data on a quarterly basis. In other words, their frequency of filing requirements will be the same as other lenders and servicers. While this group is believed to be small, it is likely the most impacted group, as pointed out in MBA's letter. CSBS has attempted to mitigate the impact of the new requirements on these companies by automatically zero-filling irrelevant sections of the report. For example, servicers who do not broker or lend will notice that they are required to fill out the servicing section, but the origination and lending sections will be automatically zero-filled. Under the Standard MCR form, these servicers would have been required to fill out the mortgage origination section (presumably with zeroes) but not the servicing section. In addition, by collecting lending and servicing data from every relevant mortgage licensee, CSBS hopes to eliminate state-specific reporting outside NMLS that exists because of gaps in MCR data collection.

Again, state regulator intent with Version 6 is to modernize filing requirements while simplifying the filing forms for mortgage licensees. We believe we have achieved this by basing the filing requirements on business activity.

#### Expansion of Reporting Requirements to New Organizations

MBA is concerned that MCR requirements have been expanded to smaller lenders and servicers not previously required to report certain data without formal public notice. MBA highlights the burden and cost associated with the timing and additional filing requirements for these smaller companies.



MBA recommends consideration of a minimum number of transactions that would trigger a reporting requirement and suggests that any additional information could be obtained through the examination process.

#### Response

The federal SAFE Act has always required collection of lending totals from each state-licensed mortgage loan originator (MLO), produced by the institution in the MCR. The expansions you reference are discussed above under General Discussion and Response. The SAFE Act does not contemplate any de minimis triggers for data collection. Adding such triggers would result in data collection below the existing basic requirement for filers. Using a de minimis trigger, if possible, under the SAFE Act, would require elevation and recommendation through the appropriate NMLS governance committees.

While state examiners could collect this information during the examination process, such collection would, at best, occur annually, and be very uneven due to examination cycles. Once collected, there is still no mechanism for the states or CSBS to merge this information with the MCR data. Further, waiting until an examination to produce monitoring information defeats the role of MCR data in the supervisory process, which is to provide regulators with information in “advance” of examinations.

As mentioned in your letter, the MCR version 6 proposal was subjected to a public comment period in 2018. This matter, with our response, is discussed more fully below.

#### Technical Reporting Requirements

Your comment addresses a concern that CSBS’s announcement lacks important technical specifications needed for full consideration of the proposal and that such specifications will not be released with sufficient time to facilitate consideration prior to filing.

MBA suggests that CSBS issue documents or guidance to assist industry with complying with the new requirements, specifically by providing comparisons from existing to new forms of reporting.

#### Response

Your suggestion is an example of the important collaboration between industry and regulators that facilitates better supervision. CSBS will develop an exhibit showing the different filing requirements for different types of mortgage companies. Such an exhibit will include a comparison of Form Version 5 to Version 6.

Technical specs are made available as soon as they are complete. CSBS will issue communication and post it on the NMLS Resource Center when available.



## Public Comment and Implementation

MBA believes the fully defined MCR reporting changes should be subject to a traditional comment period of 90 days. MBA also suggests that following a new comment period an 18-month implementation period would be appropriate. The extended implementation period would allow the vendor community that supports institution reporting requirements additional time to review the final requirements, develop plans, execute any software changes, and train their clients in the new methods.

## Response

As mentioned above and in MBA's letter, the MCR Version 6 proposal was subjected to a public comment period in 2018, using a 60-day comment period. Due to a pause in system development, implementation following the 2018 comment period was delayed. Now that system development has resumed, CSBS intends to resume the process of continuously maintaining and improving the MCR. Feedback, questions, and suggestions such as those contained in MBA's letter are helpful and will be considered by the MCR Subcommittee (a working group of regulators), in future development. CSBS welcomes the input and cooperation of the MBA as we continue to improve the MCR.

We recognize that implementation of the new requirements by March 31, 2024, could be burdensome to the industry and the vendors serving the industry. We intend to elevate MBA's timing concerns and your request for an 18-month implementation timeline with the MCR Subcommittee. While extension of the timeline would likely extend implementation further than state regulators desire, your request merits reconsideration of our proposed timing.

## Potential Alignment with the Mortgage Bankers Financial Reporting Form (MBFRF)

CSBS is an advocate of more standardized regulatory reporting processes. As MBA is aware, CSBS has long sought greater transparency into the MBFRF for this very purpose. We thank MBA for its assistance last November by providing us with the 2022 MBFRF definitions and updated form.

We continue to seek greater insight into both the MBFRF requirements and the MBFRF data filed by industry. Such insight will serve to facilitate greater alignment between the MBFRF and the MCR and could foster dialogue between state and federal mortgage supervisors and MBA focused on eliminating unnecessary duplication in filing requirements. CSBS has long believed that work in this area would not only improve supervision, but lower costs and burden on industry as well.

Additionally, you have asked that CSBS consider revamping the MCR section of the NMLS Resource Center to allow submitters to find information more easily. This is a reasonable



request, and we will investigate whether the existing Resource Center can be improved without major redesign.

Thank you for your observations and recommendations for improving Version 6 of the MCR. Your concerns are valid. For areas within CSBS staff control, such as informational materials, we will determine responsive measures. For those requests or suggestions requiring state regulator change to policy, we will access our governance process.

Sincerely,

A handwritten signature in black ink that reads "Vickie Peck".

Vickie Peck

EVP, Products and Solutions