



NMLS Ombudsman Meeting
Grand Hyatt Seattle, Washington
Leonse II & III
9:00 am - 11:30 am (PT)
August 5, 2014

Agenda: (Roughly 200 attendees)

1) NMLS Ombudsman Update

Robert Niemi, NMLS Ombudsman

Deputy Superintendent for Consumer Finance, Ohio Division of Financial Institutions

(a) Review of Calls/Emails; Role of Ombudsman:

Opening remarks were made by Bob Niemi. He provided an overview of the NMLS Ombudsman role and provided information on how to submit feedback and contact the Ombudsman. Bob Niemi stated that the NMLS Ombudsman attends other state regulator meetings (NACCA, NACARA, MTRA) and the next open meeting is February 17th at the [NMLS Annual Conference in San Diego](#).

(b) Document Upload:

Keisha Whitehall-Wolfe provided an overview of the work being done by the document upload working group including the addition of new document types, a user guide for industry and regulators and enhanced document management features. These enhancements will be deployed in two phases during late 2014 and early 2015.

(c) State Licensing/Renewal Checklists:

Bob Niemi reported that, as requested by industry at the February Ombudsman, a new RSS Feed has been implemented, located on the State Licensing Page of the NMLS Resource Center. This feed notifies subscribers of any change to the checklists and contains a link to the specific state checklist that has been adjusted.

(d) Mortgage Call Report (MCR):

Report from Rich Cortes, Chair of the MCR Working Group on upcoming changes to the call report in 2015. Rich provided information on enhancements to the MCR. Enhancements will be made to improve the

tracking of adjustments in loan amounts from quarter to quarter. Additionally, a note will be added to the notes section for regulators to be able to review trending in a company's loan amounts. Tim Lange discussed the enhancement for adding an identifier for QM and Non-QM loans in the closed loan section and the changes to nationwide servicing. The proposal calls for all companies to report the total number of loans, ARMs, HELOCs, reverse mortgages, loans with LTV over 80%, loans in modification and non-owner occupied loans serviced. These totals must be reported if a company owns the loans or if they service loans for others. The proposal will be posted on the NMLS Resource Center in the near future. Additionally, a proposed change to the definition of "application" will be proposed to provide better guidance and uniformity in reporting.

(e) Call Center:

Dave Dwyer, NMLS Call Center Vendor Manager, provided an update on the NMLS Call Center. He specifically discussed the fact that the call center records all calls and that the calls can be made available to regulators as needed. He also discussed the call tracking software that allows SRR to review call demographics and how he is using these analytics to better predict demand and adjust internal processes. These analytics are also being shared with industry and regulators through personalized information dashboards.

Bob Niemi commented on how Ohio has used the call center data to ensure they are effectively communicating requirements to their licensees.

(f) Additional Items of Note:

Bob Niemi listed some of the major enhancements that are being deployed in the near future.

- Advance Change Notice: *New processing functionality for regulators to streamline handling ACN events in early 2015*
- Electronic Surety Bonds: *2015*
- PE Expiration Policy: [Proposal for Comments issued; comments due August 22nd](#)

2) Process for Approving Sponsorships of MLOs

*Andrew Hall, Licensing Manager
Royal United Mortgage LLC*

Andrew spoke on an issue concerning sponsorships. When an MLO moves between state-licensed companies, the sponsorships are not always approved in a timely fashion. He provided a recent example of submitting a sponsorship in multiple states where on day one: 1 state out of the 12 requested accepted; day three: 3 out of 12 accepted; day ten: 8 out of 12 accepted. This delay prevents the MLO from conducting loan origination activity and has an impact on the company because the employee cannot work until their sponsorships are approved. He asked if the process could be automated.

Stacey Valero (Connecticut) – Stated that a manual review is often required and is beneficial to determining commutable distance requirements which are often more nuanced and need personal review.

Ben Griffis (Massachusetts) – Explained that the processing of sponsorship delays are often caused by the MLO who has not updated their contact information or employment history. Massachusetts has a goal of processing sponsorships in 24 hours.

Kirsten Anderson (Oregon) – Oregon checks to make sure all information has been updated and all entities are properly licensed. Resource constraints in the agencies often cause delays. Oregon's goal turnaround time is three days. Information updates and payment failures on the MLOs side often cause delays.

Tim Doyle (SRR) – Discussed automation as an option that technically can be completed. State regulators would need to be comfortable with the record being validated for information updates and all entities are properly licensed. If the proper checks can be completed, it could be useful and beneficial to agencies and companies.

Gus Avrakotos (K&L Gates) - Stated automatic sponsorships approval would be very helpful for large mergers and acquisitions as well.

Rich Cortes (Connecticut) – Explained that automatic approvals are tricky because of the commutable distance requirements interpretations and provided a recent example

Amy Greenwood-Field (Dykema Gossett PLLC) - Suggested automatic sponsorship approval if there are no license items on the MLO or entity. Suggested states develop best practices for sponsorship approval and adopting them across all states.

Jack Konyk (Weiner Brodsky Kider PC) – Suggested automated review for clean records with no license items and a personal review for records and entities with license items or other outstanding items.

Louisa Broudy (California) – Stated California's goal is to review sponsorships in 10 days and monitor the requests on a daily basis.

Bob Niemi (Ohio) – Indicated that it is an important issue that needs further review due to the nuances involved and varying state requirements. Automation should be reviewed and could potentially improve the process.

3) Amendments/Updates to NMLS Consumer Access

*William Kooper, Associate Vice President of State Gov't Affairs & Industry Relations
Mortgage Bankers Association*

William Kooper (MBA) – Stated the MBA would like the difference between a state-licensed MLO and a federally registered MLO to be made clearer to consumers. Mainly, he noted the additional education and testing requirements to be state-licensed. He said this information is currently listed in the FAQs, but it would be better if it was presented on the consumer access site itself in the MLO record. He suggested a particular wording for this statement.

Bob Niemi (Ohio) – Supported enhancing NMLS Consumer Access to make the difference between state and federal requirements clearly stated on Consumer Access. He suggested potentially adding information on the specific requirements met by each MLO.

Deb Bortner (Washington) – Stated that Washington requires every state licensed company to provide a link to NMLS Consumer Access on their main homepage. She suggested the MBA communicate this as a best practice to their members.

William Kooper (MBA) – He explained that MBA members would be open to a uniform proposal provided by NMLS for how to properly communicate NMLS Consumer Access information to industry and consumers.

Mary Pfaff (SRR) – Discussed a brochure that SRR is developing will provide an overview of Consumer Access for Industry and Regulators. This brochure will be developed and sent out in the next few months and regulators and company users will be able to add their identifying information on the back page of the brochure.

Ben Griffis (Massachusetts) – Asked if SRR has data on who uses Consumer Access and the amount of traffic it receives.

Mary Pfaff (SRR) – SRR has traffic data, but not information on who exactly uses it.

Tim Doyle (SRR) – Explained that Consumer Access was designed by regulators not as a shopping website for finding MLOs, but as a way to verify requirements have been met by the MLO. Certain information on the site is reliant on the MLO updating their filing in a timely manner. Enhancements to NMLS Consumer Access is on the development roadmap and SRR can facilitate a discussion with regulators about enhancing the site to further detail the differences between a state licensed MLO and a federally registered MLO.

4) Uniform Testing Standard for all MLOs and Transitional License

*William Kooper, Associate Vice President of State Gov't Affairs & Industry Relations
Mortgage Bankers Association*

William Kooper (MBA) – Provided an overview of their efforts to push uniform testing requirements and a transitional state license for federally registered MLOs. They believe this would even the playing field between state and federal MLOs as well as bring assurance to the market that loan officers are held to verifiable and uniform standards. Clarified that they are not pushing to have all loan officers licensed, but they want all MLOs to take the Uniform State Test (UST).

Bob Levy (NJ MBA) – Suggested that if the test is being required then the education should be a well. He stated that both testing and education are included in the SAFE Act as the prerequisites to being licensed and that both should be included in any changes to the current requirements for federal MLOs in order to avoid inconsistency.

William Kooper (MBA) – Stated that the MBA is still determining if education should be required. They do not yet have a formal position on the topic. They currently only support a uniform test for all MLOs.

Gus Avrakotos (K&L Gates) – Stated it does not make sense for education to be required for federal registrants because many of the items in the education are not relevant to federal laws and regulations.

Tom Brennan (Massachusetts) – Commented that Gus's comment illustrates the point of why a transitional license would not make sense. If federal MLOs are not familiar with state requirements and standards then they should not be provided a transitional license and be permitted to avoid pre-education requirements.

Kirsten Anderson (Oregon) and Bob Niemi (Ohio) – Both were concerned about a federally registered MLO working for a state licensed company and not being familiar with state specific rules and regulations. There were also not comfortable with MLOs who are denied a license moving to a federally registered bank that does not have the same standards and then originating loans in the state they were denied in.

Rich Cortes (Connecticut) – Discussed an issue where a state-licensed MLO has a SRA posted against them and then moves to a federal entity. After the MLO is at a federally registered entity they apply for a transitional license in the state they were issued the SRA and can be approved to conduct activity in the state until the agency reviews the transitional license and denies it.

William Kooper (MBA) –He appreciated the frank discussion and stated that they are still working on their proposal and final position on the subject.

5) Aligning HMDA and the Mortgage Call Report (MCR) Data Requests

*William Kooper, Associate Vice President of State Gov't Affairs & Industry Relations
Mortgage Bankers Association*

William Kooper (MBA) - Discussed the CFPB proposal for new HMDA data to be collected from lenders and that it has the potential to increase compliance costs. Would like to push the MCR to line up with the data to be required as part of the new CFPB HMDA requirements. Lining up the two forms would potentially streamline the compliance process for state licensed lenders.

Rich Cortes (Connecticut) – Stated that there are differences in what the states require and what is being proposed to be collected in the enhanced HMDA. Additionally, the quarterly MCR reporting requirement is preferred over the yearly interval of the HMDA because the data is more relevant to what is actually happening real-time in the industry. If the HMDA proposal could be adjusted to better align with the MCR it would be more of an option for state regulators.

William Kooper (MBA) – Discussed that the MBA is supportive of pushing the HMDA proposal closer to the MCR and is willing to support it publicly and push it in their comments to the CFPB. They are hopeful that their comments to the CFPB on their willingness to align state standards will help in the process of bringing the reports and field definitions closer together.

6) Ensuring Confidentiality in NMLS of federally registered MLOs Education and Testing Information

*William Kooper, Associate Vice President of State Gov't Affairs & Industry Relations
Mortgage Bankers Association*

William Kooper (MBA) – Explained that the MBA appreciates the work that has been done to mask the efforts of MLOs to transition to a state licensed entity. His issue is that even though the masking of education information has been improved, there are still issues with what can be seen by federal entities. If federal entities are federally registered and state licensed, they can see both sides of the system and determine if an MLO is completing state education requirements.

Tim Doyle (SRR) – Indicated that the architecture of NMLS was built to ensure that state licensing have access to as much information as possible about the MLO's they employ. SRR will facilitate a discussion among regulators on this matter, balancing MLO privacy with expectations of regulators on the companies that employ MLOs. SRR will also review the technical requirements of adjusting the system to mask this information in these very limited situations.

7) Checklist Updates:

*Amy Greenwood-Field, Counsel
Dykema*

Amy Greenwood-Field (Dykema) - Appreciates the improvements that have been made since the last meeting. She would like if states could adjust their checklists

to: (i) further clarify the process for non-MLO fingerprinting, (ii) include statutory citations for license authority, and (iii) include whether a hard copy of the license is issued if the application is successful. She also noted that the cost for non-MLO fingerprint is often missing or confusing and that the process for submitting prints varies widely.

Tim Doyle (SRR) – Described that while SRR provides checklist templates, model language and facilitated discussions among regulators, he reinforced the fact that the states control the language of the checklists. SRR does provide standard verbiage, but states adjust as they see fit and approve all information posted on the NMLS Resource Center about their requirements.

Bob Niemi (Ohio) – Discussed how states are reviewing checklist items and are working to keep the checklists updated. Agencies will continue in their process to revise and review checklists.

8) Renewals Best Practices:

*Amy Greenwood-Field, Counsel
Dykema*

Amy Greenwood-Field (Dykema) – had questions concerning renewals related to:

- Clarifying what happens to a pending renewal on January 1st
- Notifications being clear on whether business must cease
- Backdating a license status 6 months is confusing
- Suggest potential new public renewal license status for consumer access purposes (approved-renewal pending and inactive-renewal pending)

Tom Brennan (Massachusetts) – Clarified the differences in license status for Massachusetts. He stressed that as long as the license is in one of the approved statuses the MLO can conduct business.

Amy Greenwood-Field (Dykema) – Stated that there is an issue where the license is in approved status after Jan. 1st and then goes back to change it to inactive and backdate the license. This creates confusion and compliance issues for the industry in being permitted to conduct loan originations during this period.

Kirsten Anderson (Oregon) – States communicate via email and other avenues to make it clear when an MLO cannot conduct business and what each status means. They make sure it is very clear when the MLO cannot conduct loan origination activity.

Tim Doyle (SRR) – Explained that the intention of the renewal process is for MLOs to address outstanding issues and license items prior to the renewal process. If there are no deficiencies or license items, then the process can be completed more efficiently with a low potential for delay in processing and

approval. Doyle indicated that SRR could look into providing a spreadsheet of state requirements at renewal.

K.C. Schaler (Idaho) – Requested that companies make an effort to complete updates to MLOs records in September and have license items addressed prior to the November 1st start of the renewal period. Addressing items prior to the renewal period will improve the processing of the renewal and eliminate the risk of the licenses being placed in an inactive status after December 31.

9) Responses to Regulatory Disclosure Questions

*Gus Avrakotos
K&L Gates LLP*

Gus Avrakotos (K&L Gates) – Explained he would like clarification for disclosure questions related to: (i) the definition of “proceeding” and (ii) confidential supervisory matters. He would like clarification on if confidential proceedings should be disclosed in the disclosure questions section as a pending regulatory action. Gus provided an example of an entity that had an ongoing supervisory matter with the CFPB that they were informed by the CFPB was confidential. He explained that in his example the state regulator found out about the supervisory matter through a more thorough review of the application when the agency asked for clarification on some of the disclosure questions.

K.C. Schaler (Idaho) – Asked if in the instance submitted proof that the action was stated to be confidential and if so, then it should be provided to the regulator. This would need to come from the supervisory agency. If its stated that its confidential that should accepted by the states.

Kirsten Anderson (Oregon) – Agreed that if the entity receives a notice saying its confidential that she would accept that it does not need to be disclosed. Her concern is over if another agency has potential concerns about an entity, she would want to know about it.

Jedd Bellman (Maryland) – Asked if the confidential requirement had any legal basis for being required to remain confidential.

Gus Avrakotos (K&L Gates) – Stated he was unclear if it did or not.

Deb Bortner (Washington) – Washington has an agreement with the CFPB to share information related to supervisory actions and they follow federal confidentiality requirements. She also stated that state regulators are the only ones who can view the disclosure and suggested that entities should disclose the action on their filing. She also stated that disclosing the matter on in the filing assists tracking and discussion of pending items.

Bob Niemi (Ohio) – Suggested bringing this issue before the NMLSPC for further clarification and guidance to be issued to regulators and industry.

10)MCR Corrections

*Gus Avrakotos
K&L Gates LLP*

Gus Avrakotos (K&L Gates) – Explained that there is a potential for changes in the dollar amount of the loan over the three month reporting period. He is concerned with the amount of effort it will take to correct previously submitted Mortgage Call Reports and would like clarification on the value in correcting these reports. He suggested allowing tolerances in determining if the data should be corrected.

Rich Cortes (Connecticut) – Discussed Connecticut efforts to clean up the reporting in the MCR and their work to standardize the communication of definitions and requirements to licensees. Companies correcting reports is a top priority to them. The report data is used by the states to run analytics on companies and is important in the analysis of the industry. The state has provided additional time for companies to improve their internal process for collecting and recording data and is sensitive of the time it takes to make corrections. If data does not match the entity will need to answer regulator inquiries. It's better for the entity to correct it to avoid further discussion. He also stated that it's important to the states that there are POICs in the companies that understand the data and know when an issue arises with the information. They are critical in ensuring the company understands what their internal systems are producing and are updating the MCR appropriately.

Rick St. Onge (Washington) – The accuracy of the data is extremely important. Assessments are determined from MCR data and it is used in the SRR analytics tool to determine industry and company health. He also explained the importance to the Multi-State Examination Process of the information being correct in the MCR. The data is used by multiple entities and used in the field during examination.

Tom Brennan (Massachusetts) – The data provided in the report needs to balance and line-up with previous submissions. Massachusetts requires MCR reporting to match up from quarter to quarter. This is required as part of the licensing. Correct data is critical to ensure they can properly protect consumers.

11) Open Discussion/Adjournment

(a) Willful Blindness

Bob Levy (NJ MBA) – Discussed willful blindness which is the liability of a company to ensure MLOs are not conducting unethical or illegal behavior in

their loan origination activities. He stated that he would be happy to talk to anyone who has additional questions on this concept.

Closing remarks by Bob Niemi thanking AARMR and indicating the date of the next ombudsman meeting.