



**NMLS Ombudsman
Rancho Bernardo Inn
San Diego, CA**

MEETING SUMMARY
February 9, 2010

Attendees:

Approximately 85 participants attended the NMLS Ombudsman meeting in San Diego. Of these participants, about 75 were industry representatives and 10 were from state mortgage regulatory agencies.

Meeting Summary (corresponding exhibits may be found on the meeting agenda):

Director Bortner called the meeting to order at 9:00 am PST. She was joined by David Cotney, Chief Operating Officer of the Massachusetts Division of Banks and Tim Doyle, Vice President with the State Regulatory Registry (SRR).

A. HUD Comments on State Laws

- Director Bortner informed the meeting attendees that the Department of Housing and Urban Development (HUD) has reviewed each of the state enacted SAFE Act statutes and has provided commentary on their review to the respective states.

B. NMLS Decision Making Process

- Tim Doyle reviewed the multi-tiered NMLS decision making process and organizational structure. The State Regulatory Registry LLC (SRR) which owns and operates NMLS is a wholly-owned subsidiary of the Conference of State Bank Supervisors (CSBS). SRR is governed by a Board of Managers with input from the Mortgage Licensing Policy Committee (MLPC). The MLPC is comprised of 11 state regulatory members, one of which also serves as Chair. In addition, the newly established NMLS Ombudsman reports directly to the SRR Board of Managers. As part of the decision making process, Tim Doyle also reviewed the NMLS Policy

Decision Making Process which can be found in the meeting agenda and posted on the NMLS Resource Center.

- Tim Doyle announced that, going forward, all comments SRR receives during a formal open comment period will be published on the NMLS Resource Center for public review. A summary of the comments and finalized responses from the MLPC will continue to be posted when they are available.

C. Submitted Industry Issues

1. **Manufactured Housing Issues and the SAFE Act** (Deborah Robertson, Attorney- McGlinchey Stafford PLLC)

Deborah Robertson discussed the broad impact that the enactment of the SAFE Act may have on the manufactured housing industry. She represents the Manufactured Housing Institute whose members consist of chattel finance lenders, manufactured home retailers, and manufactured home community owners. The SAFE Act requires licensure of all individuals making manufactured home loans, many of who are already licensed under other state laws. This results in a dual licensing requirement which is an unequal application of the SAFE Act to the manufactured housing industry and a significant increase in regulatory burden. The industry would request that only one license be required for a business function.

2. **Sponsorship of MLOs by Exempt Companies** (Deborah Robertson, Attorney-McGlinchey Stafford PLLC)

Ms. Robertson also addressed the issue of sponsorship of MLOs as a condition to license approval when licensed through NMLS and encouraged the creation of an exempt status to allow companies such as personal property finance lenders, retail sellers, and community owners to sponsor their loan originator employees.

It was noted that exempt registration is an option in many states.

3. **Delayed Effective/Enforcement Dates** (Deborah Robertson, Attorney-McGlinchey Stafford PLLC)
 - i. Loan Servicers
 - ii. Manufactured Housing Retailers

Lastly, Ms. Robertson addressed the issue of delayed effective dates for licensing requirements and recommended that a moratorium on enforcement of the state SAFE Acts should be implemented until all state laws are final and compliance is achievable.

4. **Automated Access of Licensing Data for 3rd Parties** (Ryder Smith, Owner-Tripepi Smith & Associates)

Ryder Smith presented his concerns regarding the development of NMLS Consumer Access and the current inability of compliance companies like his to obtain licensing data. Since the launch of NMLS Consumer Access, some states have stopped publishing their licensing information on their websites. These states also no longer provide bulk information for verification. He expressed a concern that this hampers the ability of companies like his to access licensing information and integrate it into their real time license review process. Mr. Smith mentioned that he has previously discussed this situation with SRR staff and wanted to continue the discussion with the NMLS Ombudsman.

The NMLS Ombudsman informed Mr. Smith and the audience that SRR is pursuing options that will allow companies to access licensing information for compliance purposes.

5. **Company Ability to Monitor License Statuses of their MLOs** (Tina Templeton, Senior Team Leader of Banker Licensing-Quicken Loans)

Tina Templeton of Quicken Loans, raised a concern that report functionality in NMLS only captures information, including license statuses, on currently sponsored mortgage loan originators. In effect, the report is simply a snapshot of the information on current MLOs and does not represent historical information. This causes significant challenges in compliance monitoring for mortgage companies. Ms. Templeton asked for the Ombudsman to investigate the ability of NMLS to redevelop the reporting functionality so companies are able to better track information on their former and current MLOs. In addition to the ability to monitor this through reports, industry would like the ability to receive a notification when a MLO license has lapsed due to MLO inaction or action. During this discussion, Haydn Richards, Counsel at Patton Boggs and a member of the Industry Development Working Group, noted that this discussion was held during the early days of NMLS development. A tension exists between companies having access to certain information on MLOs and the privacy concerns that arise when a MLO is no longer sponsored by a company.

The NMLS Ombudsman agreed that these are issues that NMLS should investigate further and look at options for developing reports that provide at least some historical information for companies.

6. **Amendment Approval Process** (Jenifer Edwards, Licensing Manager-Primary Residential Mortgage, Inc.)

Jenifer Edwards of Primary Residential Mortgage, Inc., noted that states have disparate processes for amendments in NMLS. Ms. Edwards specifically noted that when a branch location changes it is difficult to know when they are actually authorized to conduct business as some states require approval of the location change but the changes must be entered into NMLS when they become reality as NMLS is a real time system.

Rose Patenaude, Senior Vice President with HSBC, commented that she would like to see the system incorporate a “future effective date” that will allow filings through the system for certain events.

The NMLS Ombudsman mentioned that a uniform amendment process for certain changes to a company’s record is currently being piloted with an anticipated wider launch this year. This process will begin as a manual, outside the system solution that will eventually be implemented in the system. This will foster greater communication between regulators and industry users and help eliminate a significant portion of ambiguity and inconsistency during the amendment process.

7. **Identification of Control Persons and Indirect Owners** (Gus Avrakotos, Partner-K&L Gates)

Gus Avrakotos of K&L Gates, asserted that some jurisdictions have driven system policy on the identification of indirect owners in NMLS that goes beyond any state statute. This is often most problematic for companies that are licensed in multiple jurisdictions. The identification of all indirect owners, as well as MU2 filings on certain natural persons, is particularly burdensome for industry users. When companies are identified as indirect owners, all disclosure questions on the filing pertain to those entities and must be answered accordingly. Industry representatives in the audience claimed that a MU2 filing for a company operating on a nationwide basis often entails nearly 100 hours of preparation for the filing. Gus also noted that often the information that is requested on indirect owners is only requested from one jurisdiction. He has offered to supply this information to these specific states outside NMLS.

David Cotney responded to Gus’ assertion that some state requirements have driven system policy and that the requirements go beyond statute. He remarked that regulators choose to protect individuals in their states the way they believe best. Director Bortner remarked that most, if not all, state statutes give the state regulator authority to obtain any information they deem appropriate in connection with a current licensee or applicant.

Rose Patenaude of HSBC requested that a full review of the NMLS Guidebooks be conducted.

The NMLS Ombudsman responded to this discussion by stating that the NMLS Policy Guidebook is meant to be a guide, does not supersede state law or a regulator's discretion and that companies wishing to be licensed in a jurisdiction must follow the direction of each regulator. A company may forgo licensing in a jurisdiction if they do not agree to provide information through NMLS.