



**NMLS Ombudsman Meeting
Grand Hyatt
San Antonio, TX**

**MEETING SUMMARY
February 26, 2013
2:00 – 5:00pm Central**

Attendees: Approximately 300

Introduction and Update: Timothy Siwy, Deputy Secretary, Non-Depository Institutions Pennsylvania Department of Banking and Securities

NMLS Ombudsmen Tim Siwy addressed the audience made up of state regulators and NMLS industry users. Tim Siwy, Deputy Secretary for Non-Depository Institutions for the Pennsylvania Department of Banking and Securities has had the position of NMLS Ombudsmen for almost a year. Tim Siwy introduced members of the State Regulatory Registry (SRR) who helped him answer questions throughout the meeting: Tim Doyle, Tim Lange, Mary Pfaff, and Vickie Slater. The meeting was broken into three different segments. The first segment discussed the definition and responsibilities of the NMLS Ombudsmen. During the second segment, seven issues from industry were topics of discussion. The seven topics included: license requirements for lead generators, state adoption of the Uniform State Test (UST), licensing of servicing staff, NMLS Unique ID, Exempt Company Registration, Document Upload and NMLS requirements for control persons, and license renewal challenges. At the conclusion of our formal agenda, industry and regulators had the opportunity to pose questions.

Tim Siwy explained the definition and responsibilities of the NMLS Ombudsmen. The Ombudsmen provides the industry and other parties with a neutral venue to discuss issues. Tim hosts two events each year, one being the NMLS Annual Conference, and the other the American Association of residential Mortgage Regulators (AARMR) Annual Conference where industry and regulators get together and talk about issues affecting NMLS. As a part of his Ombudsmen responsibilities, Tim takes phone calls and receives emails on complaints and concerns that NMLS users have with respect to the NMLS system. Tim also serves on the NMLS Policy Committee shared by Sue Clark, where a lot of the industry issues can be brought to the table for discussion as policy decisions are made regarding NMLS. Tim stated: "Industry users

do have some say through me as to what policies we implement through the system.” From August 2012 to February 19, 2013 Tim took approximately 43 emails from concerned users with issues ranging from log in difficulties to the NMLS test retake policy. Inquires also come in for statistical data regarding licensed entities in NMLS.

As a follow up to the 2012 AAMAR Annual Conference held in August, Tim summarized actions taken to address the presented issues. The first topic was raised by Ken Markinson, Mortgage Bankers Association (MBA) and had to do with the importance of reciprocal licensing. Tim asked Bob Niemi, Ohio Division of Financial Institutions to confirm that Ohio has passed legislation allowing reciprocal licensing. Bob commented that the bill was passed and will go into effect in May or June of this year. Tim stated that while Ohio may be the only state who has passed this type of legislation, strides have been made elsewhere such as inactive licensing and the implementation of the Uniform State Test (UST). The second issue brought up during the AAMAR conference dealt with the usability of the NMLS system and the desire to simplify the overall user experience. A lot of effort has made during the NMLS Policy Committee meetings to discuss ways to make the system more user-friendly. It is important to understand that this is not an overnight effort, but we are constantly trying to improve the system. The next topic dealt with Exempt Company Registrations. This was a challenging topic in that not all state statues allow for this type of company registration. The topic was addressed again in the formal agenda.

Tim provided the group with an update on the regulator Document Upload Working Group created to assist with the document upload challenges and to clarify what document regulators require to be uploaded. Tim also discussed the upcoming 60 day public comment period for the biennial (MU Form version change) and Mortgage Call Report (MCR) Form changes. More information can be found on the NMLS Resource Center.

Doug Lebda, Lending Tree spoke to his topic on the licensing of lead generators. Doug talked about the creation of Lending Tree which has been in existence for 15 years. Lending Tree is currently licensed as a Mortgage Broker in all 50 states. Doug spoke to the common misconceptions surrounding Lending Tree and provided a general background as to overall goals of Lending Tree. To specifically address his topic, Doug commented that there are numerous online companies who give users access to an online rate table. Doug stated, “The rates on the tables are consistently gamed, such that a consumer cannot get the rate that is offered.” Doug stressed the importance to differentiate between lead generators and brokers. Doug feels that there is an opportunity for state regulators to provide oversight. He is open to the prospect for an additional category of licensure that Lending Tree could fall into, and subsequently, subject other similar companies to initial licensure.

Charlie Fields, North Carolina Commissioner of Banks Office commented that it boils down to the definition of an application.

Costas (“Gus”) Avrakotos, K&L Gates commented that there are other professions and occupations required to be licensed under the broad definition of a mortgage broker because it is the only category available to them. A mortgage broker licensee is subject to all the requirements such as reporting record keeping, and fee restrictions.

Deb Bortner, Washington Department of Financial Institutions commented that Washington does have lead generators in almost all of their licensing areas and wants to know which requirements are difficult to comply with. Due to the amount of personal information you have access to, Washington would want to make sure you are protecting that information to match the expectations of a consumer.

In response to Doug’s comments that Lending Tree is willing to comply with any rules and regulations as long as the other companies who share the same business model have to do the same.

Tim Siwy advised that this topic could be further explored during a future AARMR conference.

The next topic came from Ken Markinson, MBA and dealt with adoption of the Uniform State Test (UST). Ken commented that the MBA wholeheartedly supports the implementation of the UST. For those state agencies who have not adopted the UST, Ken asked for an explanation of their adoption limitations. He understood that many agencies are waiting for guidance from the Consumer Financial Protection Bureau (CFPB).

In response, Kirsten Anderson, Oregon Division of Finance and Corporate Securities commented that Oregon has not made a decision yet. Oregon has held meetings internally as well as elicited feedback from a select group of Oregon licensees. Overall their licensees wanted to keep their state specific test and did not like the UST. Once the price difference was explained to this group, they did not object to the UST – cost seemed to be their primary concern.

Kirsten’s apprehension is that the UST does not test Oregon law. Kirsten feels the Oregon specific test ensures that potential licensees read Oregon’s statutes and rules. Oregon has looked at altering their Pre-Licensure Education (PE) requirement as a result of the UST, but has concerns that people will sit through the courses without learning anything.

Bob Niemi, OH commented that Ohio has statutes that require a potential licensee to get tested on OH specific rules and regulations.

In response Ken commented that legislative sessions are now being held and encourages states agencies to push for a stronger frontend education model in place of their state-specific tests.

Jody Colvin, Utah Division of Real Estate commented that she agrees Kirsten's comments. UT-DRE is not adopting the UST because it does not test UT state statues. Utah DRE has decided that their licensees need to be tested on UT state laws and statues.

Meircee Boulahroud, California Department of Corporations commented that they are also concerned that CA licensees will not be tested on our state laws and want to make sure they are understood by industry.

Tim Siwy commented that he had a similar level of skepticism, but after hearing what Commissioner Doug Foster, Texas Department of Savings and Mortgage Lending had to say, PA came to the conclusion that the UST is a meaningful test. Tim encourages state agencies that have not made a decision to reach out to Pete Marks, SRR and Commissioner Foster, TX-SML to find out more information.

Charlie Fields, NC commented that North Carolina will be an early adopter on April 1. As a result, North Carolina now requires state-specific education hours. In NC the education must be administered either in a classroom, or classroom equivalent which provided NC with some comfort in the adoption process.

Rod Carnes, Georgia Department of Banking and Finance commented that Georgia will adopt April 1. In Georgia we hold the broker or lender responsible for the behavior of their loan originators. As a result, most of GA licensed companies provide in house training to their loan originators.

Tom Brennan, Massachusetts Division of Banks commented that Massachusetts will be an early adopter of the UST. Tom's concern is that industry will start to complain about the amount of education they would be subject to if all 50 states adopt the UST while simultaneously increasing their educations requirements.

In response Ken commented that industry is not looking for a pass on qualifications. We think there is efficiency in a standard test.

Ken's next topic had to do with mortgage servicers and the notion of a square peg, round hole metaphor. Ken stated that as the Department of Housing and Urban Development (HUD) looked at the SAFE Act statue they suggested servicers should be licensed because they negotiated terms with borrowers. Ken spoke to how Dodd-Frank's loan originator compensation licensing provisions excludes servicers. Ken and the MBA are looking for consistencies among the state agencies since there are varying state laws regarding the licensure of servicers. Ken stated that there seems to be a lot of pride loan originators have in completing their licensing qualifications and getting their NMLS ID number, and the

qualifications have become a brand. The MBA understands that NMLS is expanding their users to include pawnbrokers and payday lenders and they will also obtain a NMLS ID number. Ken feels the idea of including expansion license types in NMLS should be rethought since these types of entities are not subject to the same qualifications as state licensed entities.

In response, Tim Doyle, SRR provided some background on the unique NMLS ID number. These numbers are used as a tracking number as entities move through the states, move from employer to employer, and move through different industries. Our goal is to track the numbers, not brand or credential entities.

Sue Clark, Vermont Department of Financial Regulation commented that the NMLS ID number is a system assigned number; it does not carry licensing authority until granted by a state agency. Sue mentioned that Federal Registrants do not meet the same requirements as a state licensee, but are also granted an NMLS ID number. Sue states that she could access the NMLS system and create an account and obtain an NMLS ID number without ever applying for a license.

In response, Ken brought up the loan originator compensation rule and the “convergence” of mortgage loan origination qualifications. The MBA supports a greater qualification regimen for federally regulated depositories.

KC Schaler, Idaho Department of Finance commented that Idaho took this concern to their advisory board and they did not have any concerns.

Tom Brennan, MA commented that as expansion entities come on the system they have to disclose their direct owners. In Massachusetts, their owners are scrutinized in the same way as those individuals who own mortgage brokers and lender companies.

Sue Clark, VT commented that another purpose of the NMLS ID number is the ability to look up entities on NMLS Consumer Access.

Costas (“Gus”) Avrakotos, K&L Gates questions consumers’ understanding of what an NMLS ID number is.

Ken commented that it boils down to consumer expectations when they see the NMLS ID number.

The next topic addressed Exempt Company Registrations from Roger Bainbridge, State Farm

Bank, FSB. State Farm believes that their unique business model results in licensing requirements for agents under some state laws that caused unnecessary and burdensome regulations. Roger provided a background on how State Farm is regulated. State Farm has the desire to sponsor their individuals, but since State Farm is exempt from state licensure, they are unable to do so. Roger explained that some of their agents are required to become licensed as a mortgage broker/lender and with that license comes other requirements such as financial statements, surety bond requirements, and mortgage call reports. State Farm has been able to work with 22 state agencies to obtain exempt company registrations. Roger feels there are certain efficiencies at the state level for offering this type of registration. State Farm Bank does all of the mortgage call reports, and has one blanket surety bond.

Tim Siwy commented that Pennsylvania is in the process of changing their statutes to allow for exempt company registrations, but were initially concerned about who was responsible for supervising the loan originators.

KC Schaler, ID commented that Idaho allowed exempt company registrations right from the start and has examined State Farm's business models and contracts to their satisfaction.

Tim Siwy commented on the proposed "MU1 Light" which is on the NMLS Roadmap for 2014 and asks Mary Pfaff, SRR to comment.

Mary Pfaff commented that this is an issue we have brought up to the NMLS Lawyers Committee and some state agencies struggle over the word "Exempt". We do want to be able to accommodate companies who need to license their originators in the NMLS system.

Yvonne Little, Alaska Department of Commerce, Community & Economic Development: Division of Banking and Securities commented that Alaska would need to change their statutes in order to accommodate an exempt company registration.

Roger stated that State Farm has worked with states to amend their statutes and is willing to work with any states willing to make statutory changes.

The next topic was NMLS Document Upload and NMLS Requirements for control persons from Trish Lagodzinski, Chartwell Compliance. Trish explained that Chartwell is a compliance firm specializing in regulatory compliance, risk management for banking, and non-bank companies, especially for international entities. Trish talked about her experience using NMLS to transition money transmitters and currency exchange companies. She feels that the completion of MU2 Form can be intrusive for some CEOs and high level managers. Chartwell has been working with executive/administrative assistants to get the control person's information entered on the

MU2 Form, but have the control person ultimately log in to attest to the MU2 information. Trish was wondering if state agencies have entertained the idea of granting a power of attorney to a third party such as Chartwell, or an individual's legal counsel.

Kirsten Anderson, OR reiterated that the attestation portion must be completed by the individual control person. She also mentioned the importance of the MU2 Form and criminal background checks on control persons. Oregon looks at criminal background check results for a control person just as closely as they do for a mortgage loan originator.

Sue Clark, VT proposed the use of a power of attorney source document that regulators could be sent that would grant an individual authorization to attest on their behalf. However, if inaccurate information is attested to, regulators would be able to hold the control person accountable instead of the individual who inputted the data.

In response, Kirsten commented that Oregon would have issues with how they could hold a person accountable for inaccurate information.

Tim Siwy and Charlie Fields, NC commented that this would be a good topic for the NMLS Policy Committee.

Trish moved on to her next topic regarding individuals without Social Security Numbers. She commented that NMLS has made a lot of progress in this area. The last control person she needed to add into the system was in September, and NMLS was able to grant the person an individual account in one week.

Tim Lange, SRR explained the "No SSN" NMLS account creation process.

Trish's next topic had to do with submitting Financial Statements for parent companies and affiliates. Trish explained that she has been uploading these documents in the Document Upload area of the Company MU1 Form, which often results in the overcrowding of that area of the Form.

In response, Tim Siwy mentioned that regulators were just discussing this topic and understand that there is a need to clarify the entire Document Upload section of the Company (MU1) Form and provide consistent guidance to industry.

Trish mentioned that some companies have concerns regarding the security of the Document Upload section.

In response, Tim Siwy commented that it has the same security as the Financial Statement area in NMLS.

The last topic had to do with license renewal challenges from Kristie Battershell, Quicken Loans/One Reverse Mortgage and Tanya Anthony Green Tree Servicing LLC. Kristie starts by saying that the renewal process has gotten more efficient over the years, but would like to bring up some issues encountered this year. Some of Quicken Loans' individual licenses were terminated because the originators were on a leave of absence; the majority of them are members of the military. Kristie stated that some states were willing to work with them by using an inactive license status. Other states had very strict rules and required the completion of a new application.

Tim Siwy asked if Kristie had an idea of how many licensees fell into this category and would need an accommodation.

In response, Kristie guessed approximately 100-150. She also mentioned that Quicken requires their MLOs to begin the continuing education requirements in May in preparation for the renewal season.

Jamie Robenseifner, Pennsylvania Department of Banking and Securities commented that there were a few Quicken loan originators in this situation who had outstanding tax issues or CE requirements and by statute Pennsylvania was not able to grant renewal.

Ben Griffis, Massachusetts Division of Banks commented that Massachusetts handles this situation on a case by case basis, but could be a discussion topic for a future NMLS Policy Committee meeting.

Kirsten Anderson, OR encouraged industry to have specifics when calling a regulator for this type of accommodation such as: reason for extended leave, duration specifics, and if necessary provide third party documentation.

Tanya Anthony provided some background on her renewal preparation process. Tanya provided the loan officers she oversees with a Continuing Education (CE) deadline of October 1st. Her entire MLO population completed CE by October 15th. Tanya was also able to submit all branches renewal requests by November 5th and had close to 6,000 loan officer licenses submitted by November 15th. At the close of the renewal period, there were still some state agencies who did not issue regulatory approvals. Tanya would like to gain an understanding of what the pain points are for regulators and if there is anything she can do to speed up the renewal turnaround time.

Tim Siwy commented that if there are requirements or deficiencies set on a license, it slows

down the approval process.

Kirsten Anderson, OR commented that companies who submit before they are ready slow the process down for most state agencies. Also, even though Oregon does not require a criminal background check (CBC) and/or credit report (CR) at the time of renewal, if the MLO completes one or both of these requirements for another state, she is required to view the results. Outside of the renewal period, Oregon receives an average of 50 new credit reports per day. During the renewal period Oregon receives around 400.

KC Schaler, ID commented Idaho places license items for licensees who are not compliant with CE during the summer, but still have individuals fail to complete the requirement by year end.

Gus, K&L Gates wanted to know if expansion license types could renew on a different schedule. Mary Pfaff, SRR commented that this thought was entertained, but the majority of state agencies wanted the 12/31 deadline.

Tim Doyle, SRR commented that the renewal process is meant to be as streamlined as possible and is not meant to re-underwrite the entire licensing authority.

Meircee Boulahroud, CA-DOC commented that she is the only regulator who handles MLO renewals and encourages entities to address all deficiencies and requirements prior to requesting renewal.

Gus, K&L Gates, provided comments regarding NMLS Disclosure Questions and the differences between company disclosures and individual disclosures as a result of the most recent MU Form version update in April, 2012. Gus also commented on the fact that a company does not have the ability to provide an explanation for Disclosure Question changed from Yes to No.

In response, Tim Siwy mentioned this could be another good topic for the NMLS Policy Committee.

Sue Clark, VT commented on the upcoming Requests for Public Comment (RFP) on the MU Forms and encouraged Gus to submit his feedback.

Tim Siwy offered his closing remarks.

