



NMLS Ombudsman Meeting
New Orleans Marriott
New Orleans, LA
Salon A-E
8:30 am – 11:30 pm (CT)
February 9, 2018

Agenda

1. **Scott Corscadden, NMLS Ombudsman & Supervisor, *Alabama State Banking Department***
 - Welcome & Ombudsman Update and Issue Review
2. **Tim Doyle, *SRR***
 - NMLS 2.0 Emerging Issues
3. **Amy Greenwood-Field & Lisa Marie Lanham, *Dentons US LLP***
 - Reconsidering the Entities and Individuals to be Disclosed in NMLS for State Licensing Purposes Exhibit 1
4. **Heidi Bauer, *Buckley Sandler***
 - Self-Reported Employment History & Advance Change Notice Communication Exhibit 2
5. **Cindy Corsaro, *Promontory Fulfillment Services LLC***
 - Streamlining Applications and Revisions Exhibit 3
6. **Keisha Whitehall Wolfe, *Mayer Brown LLP***
 - Challenges of Trusts in NMLS Exhibit 4
7. **Justin Wiseman, *Mortgage Bankers Association***
 - Need for Uniformity in State Level Data Reporting & Timely Provision of State Examination Reports Exhibit 5
8. **Costas Avrakotos, *Mayer Brown LLP***
 - State-Specific Information Reported in NMLS Exhibit 6
9. **Open Discussion**

January 17, 2018

BY E-MAIL

Mr. Scott Corscadden
NMLS Ombudsman
c/o Conference of State Bank Supervisors
1129 20th Street, N.W., 9th Floor
Washington, DC 20036
E-mail: ombudsman@nmls.org

Re: February 2018 NMLS Ombudsman Meeting Topic - Reconsidering the Entities and Individuals to be Disclosed in the NMLS for State Licensing Purposes.

Dear Mr. Corscadden:

We are writing on behalf of our Firm, Dentons US LLP, in order to submit the following topic for discussion and consideration during the February 2018 NMLS Ombudsman meeting in New Orleans, Louisiana.

As we rebuild the NMLS, now is the prime time to think about what information is really necessary in order for a regulator to feel confident that an applicant is qualified to do business with consumers in their respective jurisdiction. With the reach and speed of technology, the world is not nearly as small as it was when we first converted paper licensing forms to the centralized online NMLS system and as we look to building NMLS 2.0, we believe that it is the appropriate time to move beyond requesting information because that is the way that it has always been done, or requesting information because it is on the NMLS application requirements template, and instead move toward requesting information that is actually necessary and will actually be reviewed and considered in making a licensing decision. In that respect we would like to reconsider the entities and individuals that must be disclosed as direct and indirect owners in the NMLS for state licensing purposes and discuss review of the definitions of "Control Person" and "Control" that are associated with those submissions. We believe that a disclosure in the NMLS of only those entities and individuals with either a functional responsibility to the applicant or involvement in the daily management or operations of the business line for which the applicant submitted a license application are in many cases, sufficient for review and consideration in making a licensing decision.

I. Background

At the initial launch of NMLS, applicants were able to select whether or not disclosed individuals and companies that may have held ownership at various indirect reporting levels were actually "control persons." At some point in NMLS history, the form was changed and applicants were no longer allowed to determine who their actual "control persons" were. State

regulators often require an applicant to disclose in its NMLS filing certain direct and indirect owners in its organizational structure that are uninvolved in the daily management or operations of the applicant's licensable business activities, as well as submit information for executive officers that have been appointed for internal corporate purposes only and bear no relation to the particular business line for which applicant has submitted license applications. While certainly some jurisdictions have statutory limitations in place, many state regulators appear to require this information because the current NMLS Policy Guidebook (the "Guidebook") directs an applicant to disclose such entities and individuals in the "Direct Owners and Executive Officers" and "Indirect Owners" sections of its NMLS filing, even though such entities and individuals do not have any functional responsibilities to the applicant and generally are not involved in the daily management or operations of applicant's licensable business activities.

Specifically, Page 37 of the Guidebook requires an applicant to identify "any individual or company that has Control over the [applicant]" in the "Direct Owners and Executive Officers" section of its NMLS filing. Although "Control" is separately defined on page 105 of the Guidebook, page 37 states that the term "Control" includes equity owners with a 10% or more ownership interest in the applicant, individuals serving on the Board of Directors, Board of Managers, as Member Manager, as General Partner, or on a similar governing body set out in corporate governance documents, individuals that have been appointed as executive officers of the applicant (*i.e.*, President, Executive Vice President, Senior Vice President, Treasurer, Secretary, etc.) and individuals with functional responsibility, regardless of title, who have the power, directly or indirectly, to direct the management or policies of the applicant by contract or otherwise (*i.e.*, Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Legal Officer, Chief Compliance Officer, etc.). Each such individual to be disclosed is deemed to be a "Control Person," meaning a natural person that directly or indirectly exercises "Control" over the applicant, for the purposes of the Guidebook, and is required to be disclosed and submit personal information through the NMLS. Moreover, page 40 of the Guidebook instructs an applicant to include in the "Indirect Owners" section of its NMLS filing any "25% or more owners at each level of ownership" and permits an applicant to cease providing such information "[o]nly once a public reporting company, a credit union, a bank or a bank holding company regulated by a Federal Banking or Credit Union Regulator, or a natural person is reached" Significantly, neither portion of the Guidebook permits an applicant to pare down the entities and individuals disclosed in its NMLS filing or limits the terms "Control" or "Control Persons" to include only those entities and individuals with functional responsibilities to the applicant or that exercise daily management and control over the applicant's licensable business activities. Rather, these sections and definitions obligate applicants to include as direct owners, indirect owners or executive officers every entity or individual in its organizational or management structure that holds over a certain ownership percentage or a particular officer title, irrespective of his, hers or its actual duties and responsibilities to the applicant.

II. Desired Outcome

As outside regulatory counsel to a number of large, highly-regulated, multi-national, state-licensed entities, the above-described sections of the Guidebook significantly impact such entities' ability to obtain state licenses. As, again, these entities are large, highly-regulated and multi-national, providing such information through the NMLS is often unfeasible: their corporate organizational structures are enormous, and they appoint senior management teams with traditional officer titles (*i.e.*, CEO, CFO, CCO, Managing Director, Director, etc.) to oversee their global business operations that bear no relation to the applicant's licensable business activities and appoint other individuals with similar officer titles to oversee the applicant's licensable business activities only. As a direct result of state regulators' requests for additional information regarding organizational and management structures, such entities often voluntarily withdraw certain state license applications and abandon their intended business lines in affected states because it is nearly impossible to provide state regulators with the vast amount of information requested. We believe this is an unfortunate side effect of reliance on an outdated Guidebook and the inability for applicants to indicate which persons or entities actually act as control persons for the licensable business that directly results in fewer reputable entities being able to engage in licensable activities across the United States.

As we rebuild the NMLS, we believe that now is the prime time to consider the information regarding an applicant's organizational and management structure that is necessary for a regulator to confidently approve an applicant to do business with consumers in their respective jurisdictions. Specifically, we believe that it is appropriate to review current

practices with respect to disclosure of the applicant's "Direct Owners and Executive Officers" and "Indirect Owners", as well as the definitions of "Control Person" and "Control" that are used to determine the appropriate entities and individuals that need to be disclosed. We propose that those practices be updated to either require an applicant to disclose in its NMLS filing only those entities and individuals that either have a functional responsibility to the applicant or that exercise daily management and control over the applicant's licensable business activities and/or to return to the former practice that would allow the applicant to indicate which of the individuals and companies disclosed actually exercise functional responsibility and control of the licensable business activities. We believe that such changes will result in more streamlined licensing decisions, allow state regulators to confidently license applicants with complex organizational and management structures and result in a greater number of reputable entities being able to conduct licensable activities in the United States.

Thank you in advance for your consideration of our proposed discussion topic. We look forward to discussing this issue with you at the upcoming Ombudsman meeting.

Respectfully submitted,



Amy Greenwood-Field
Counsel



Lisa Marie Lanham
Managing Associate

BUCKLEY SANDLER

Heidi Bauer

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January 17, 2018

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Submitted via electronic mail

Re: NMLS Ombudsman Topics for February 9, 2018 Meeting

Mr. Corscadden:

We are submitting two topics for discussion during the NMLS Ombudsman meeting you will hold in New Orleans, Louisiana on Friday, February 9, 2018.

Over the past several months, our clients have received conflicting and inconsistent direction regarding self-reported employment history from various state regulators using NMLS. Specifically, states have different interpretations to the NMLS Policy Guidebook's (the Guidebook) direction regarding updates on work locations with the same employer (generally a change in branch location). The Guidebook states "If you change your work location address for your current employer, update the address to that of the new location on the current employer entry" (page 83).¹

On more than one occasion, some state agencies participating in NMLS have directed, via license item, our clients to create new, separate entries in the self-reported employment history for each work location resulting from a branch change with a single employer. We believe this instruction is inconsistent with the direction provided in the Guidebook and creates a confusing and less intuitive explanation of someone's employment history for employers, state regulators and consumers alike. The table below illustrates a potential public view resulting from this instruction.

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<https://nationwidelicensingsystem.org/licensees/resources/LicenseeResources/NMLS%20Guidebook%20for%20Licensees.pdf>

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Example table for self-reported employment history:

ABC Mortgage	Chicago IL
ABC Mortgage	Chicago IL
ABC Mortgage	Los Angeles CA
ABC Mortgage	Atlanta GA
Joe Movers	Tampa FL
Student	Orlando FL

The second topic we offer relates to Advance Change Notice (ACN) information available on the NMLS Resource Center. The ACN functionality available in NMLS has allowed our clients to more efficiently comply with varying state amendment requirements. The ability to provide amendment information through NMLS on key events has decreased approval times and eliminated the risk that documentation is lost or not received.

Challenges still exist understanding whether or not a state agency uses the ACN functionality to review and comment on these amendments. Similar to other functionality in NMLS such as the Mortgage and MSB Call Reports, Uniform Authorized Agent Reporting, and Electronic Surety Bonds, the ACN Requirements Chart posted on the NMLS Resource Center is helpful for understanding various state requirements. However, it would be beneficial for this document to contain information regarding state agency use of the ACN functionality and where industry should expect to receive communication from state regulators regarding their review of these relevant amendments.

Thank you for your consideration of these topics. We look forward to presenting these during the NMLS Ombudsman meeting next month.

Sincerely,



Heidi Bauer



January 18, 2018

Memo to: NMLS Ombudsman

From: Cindy Corsaro, VP, Licensing

Re: NMLS 2018 Ombudsman Meeting Topic Points

Please see the following topic points I would like to present at the NMLS Ombudsman meeting on February 9, 2018 at the NMLS Annual Conference in New Orleans, LA:

- 1) Pending MU1 – highlight or note in hover what sections have been changed since the Pending filing was created. Often once the filing is created, you come back to add new information or submit the filing, and don't always remember the updates that have been made on previous days.
- 2) When amending the address in NMLS, there isn't an option for a simple update, e.g. removing the floor from the address. You must enter a "New" Street, City, State and Zip Code. Would be useful to have a button next to the address components to check stating New, Same or Updated. An explanation box would also help identify the change(s) made.
- 3) Certain states do not list all the requirements on the New Application Checklist. Would be helpful to have everything listed on the checklist so that Deficiencies can be avoided.
- 4) On the NMLS chart regarding Fingerprints for Control Persons, some information is not clear regarding fingerprint cards required outside of the NMLS. The designations used should be consistent so that you know for sure which states required hard copy cards outside of NMLS, and allow payment within NMLS.
- 5) In the State Agency Contacts and on all Deficiencies and License Items posted, it would be beneficial to have a specific name, email address and/or phone number to contact with questions.
- 6) "Other" or customizable field for document uploads that don't meet the categories listed in the MU1, e.g. Leases. It would be valuable to have someone go through all the state checklists, identify what is required, then add a category to match the requirement(s) to take the guesswork out of uploading certain documents.

Please feel free to contact me for further discussion or clarification of these suggestions. Thank you again for the opportunity to present these ideas at the conference again this year. It is greatly appreciated!

Sincerely,

Cindy Corsaro

VP, Licensing

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January 19, 2018

VIA ELECTRONIC MAIL

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ombudsman@nmls.org

RE: Ombudsman Discussion Topic

Dear Mr. Corscadden:

We are submitting this communication for discussion and consideration during the February 2018 NMLS Ombudsman meeting in New Orleans, Louisiana.

During the past year some of our clients have sought certain collection and sales finance licenses for statutory and common-law trusts. Having assisted with compiling these applications for submission and eventually obtaining approvals, among other lessons, we have specifically learned two things – (1) the NMLS was not designed to accommodate the licensing of trust entities and (2) the ability to openly discuss these concerns with the regulator is paramount.

States that licensed trust entities prior to NMLS generally had an application that worked – usually because the regulator had the flexibility to amend the application requirements as needed. As regulators choose instead to use NMLS for the management of their licenses, some of the flexibility needed to accommodate the licensing of different entities has been reduced or even removed.

Information sought to complete the NMLS record, is generally based on a belief that the applicant's structure includes employees and managers or officers of the applicant. However, statutory and common-law trusts that are seeking licenses using the NMLS are limited purpose entities that are established pursuant to a trust agreement, with a national bank as trustee. These trusts are not operating entities, but passive investors, holding assets for securitization purposes, who are subject to licensing based on the assets purchased. Generally, the trusts do not have employees, have no assets other than the loans owned, do not have any offices, and conduct business through a trustee pursuant to the trust agreement. These uniquely structured entities are challenged by the NMLS licensing process.

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The first hurdle to the application was selection of an Account Administrator. The NMLS instructions state that the "Account Administrator are persons of your company's choosing that will have full access to your company record on NMLS" Further, "the Account Administrators must be employees of the company." Considering that the trust entities do not have any employees, alternate persons who were acceptable to serve as the Account Administrators were identified and the request for an NMLS base record was approved. However, the exercise of such discretion by a single regulator to accept an alternative solution to an NMLS requirement does not provide much comfort when the base record could be filed nationwide and considered by regulators with limited discretion.

The second hurdle pertained to the ownership disclosures. The NMLS does not require disclosure of an officer or other MU2 individuals for the submission of the application, but does require the identification of at least one owner for the application to be submitted. These trust entities do not have "owners," but trustees and beneficiaries, so guidance that was not previously addressed by the statute or by the NMLS Policy Guidebook was desperately needed.

A third hurdle pertained to the checklist instructions. The checklist is one of the many tools that, when appropriately utilized, is beneficial to both the regulator and the applicant – the regulator is given the information needed to make a licensing decision and the applicant is comforted by the fact that it has in its possession the instructions needed to obtain the regulator's approval. As we reviewed the checklists for the various licenses, we were surprised by the rigidity of the language and the lack of specificity. Several requested items on the checklist, were either not applicable or could not have been provided by the trust. Generally, the checklist language did not seem to contemplate that entities other than a traditional corporate structure may apply for a license. However, after discussing the checklist items with the regulator(s), many of the listed requirements were either waived, amended or eliminated.

This is by no means an exhaustive list of the application challenges, but it does highlight a need to maintain some flexibility in our licensing process while complying with statutory and regulatory requirements. Despite the hurdles, our clients were able to obtain license approvals, because the regulators involved were willing to entertain a discussion of the concerns and were open to possible solutions.

It has been my understanding that regulators sometimes believe that industry does not want to comply with the statutory requirements and the industry sometimes believe that the regulators do not care to understand legitimate concerns. As we develop and prepare to launch NMLS 2.0, I strongly urge that we continue to keep the regulator-industry lines of communication open because, at least as it pertains to our experience with the use of NMLS for licensing for trusts, there is still much to be learned and even more can be accomplished if we work together.

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Thank you for your consideration of this topic and for the opportunity to participate in the upcoming Ombudsman meeting.

Best regards,

A handwritten signature in blue ink, appearing to read 'Keisha Whitehall Wolfe'.

Keisha Whitehall Wolfe
Counsel



MORTGAGE BANKERS ASSOCIATION

Kobie Pruitt
Associate Director, State Government Affairs
Mortgage Bankers Association
1919 M Street, NW
Washington, DC 20036

Dear Ombudsman,

Thank you for the opportunity to participate in the 2018 NMLS User Conference Ombudsman meeting on Friday, February 9th 2018. The Mortgage Bankers Association would like to submit the following topics for discussion during the meeting:

- The Need for Uniformity in State Level Data Reporting
- Timely Provision of State Examination Reports

If you have any questions, please feel free to contact me Kobie Pruitt at (202) 557-2870 or via email at kpruitt@mba.org.

Thank you for your consideration.

Bests,

Kobie Pruitt

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January 22, 2018

VIA ELECTRONIC MAIL

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RE: Ombudsman Issue, CSBS NMLS Conference, February 2018

Dear Mr. Corscadden:

The Conference of State Bank Supervisors (“CSBS”) had some lofty goals when the Nationwide Mortgage Licensing System (“NMLS”) was created 10 years ago. There were many naysayers who did not think it could work, that regulators were kidding themselves to think that a nationwide, on-line system for obtaining and maintaining mortgage finance licenses in each state through some organized and agreed to structure that promoted uniformity among the states could work. Despite the doubt and hurdles that had to be overcome, countless individuals among state regulators and those in the mortgage finance industry work hard to establish, refine and adjust to the NMLS, and the NMLS took hold and began to flourish. Quite an accomplishment and much credit goes to those individual at CSBS and with the states for the inspiration to create and the determination to see this through and firmly establish the NMLS.

But now, ten years later, after what industry and state regulators could point to as a significant accomplishment, some fissures are beginning to show.

From “Day One,” a major goal of the states in creating the NMLS was to work toward uniformity. No doubt there would be a trade-offs. In some states, licensing was a relatively easy paperwork filing process. The NMLS, however, required significantly more of an effort to obtain, maintain, and renew a license. The paper filings would largely fall by the wayside, but in exchange, the industry would have one, nationwide, uniform system by which licenses could be managed. The industry fell in line, learned and re-learned what they needed to know, and together with state regulators, collaborated on making the NMLS work.

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Today, 10 years after the NMLS was created, we are starting to see some cracks in how the licensing process is handled, as a few states seem to have reverted to their old ways, and abandon their efforts to uniformity.

As set forth in the NMLS Policy Guidebook, “the goal of NMLS is to improve mortgage, consumer finance, debt, and money services industry supervision, heighten communication across states, **increase consistency in licensing requirements**, and automate processes to the greatest degree possible.” State regulators signed on to this goal when the NMLS was created. Some state mortgage finance licensing laws were amended with this goal in mind, with some expressly providing for this goal. For 10 years, at every one of the CSBS Conferences, we have heard the mantra that the NMLS was promoting uniformity, and that ongoing efforts were being pursued to standardize the licensing process. This goal has been elusive, but it still seemed that state regulators were striving toward greater uniformity.

Today, however an increasing number of state regulators are mandating that information specific to their state be entered in the MU1 Record, or uploaded in the NMLS. Not since the early years of the NMLS, have we seen as many regulators insist that their state’s unique information be entered into the MU1 Record of an applicant or licensee as we do today. Compelling applicants and licensees to make filings in the NMLS that are not required by the NMLS, but specific to a state statute or regulation, thwarts the shared goal of uniformity. If regulators in each state compelled licensees to enter unique state information in the NMLS, the standardization that the states have attempted to achieve would be lost.

Recent events suggest that this is happening. For purposes of what is filed in the NMLS, we recently were told by one state regulator that “the strictest state in which an entity wishes to be licensed controls.” Where did that come from? That simply is wrong. If the regulator’s position was correct, it would have gutted the NMLS long before it got off the ground. No one would be working toward a goal of uniformity and standardization, and licensees and regulators would be sifting through scores of different filings that one state or another believed must be in the NMLS for all states. Nevertheless, this fever to compel state-specific information to be entered in the NMLS, regardless of the NMLS requirements, or what it means for applications before other state regulators, seems to be spreading.

The NMLS policy has always required that natural person 10% or more indirect owners of an applicant or licensee be reported in the NMLS, but the NMLS policy has never required the reporting of business entities with a less than 25% interest at the indirect level. Now, however, regulators in a couple of states are requiring that all 10% or more indirect owners, including those entities with a less than 25% interest at the indirect level, be reported in the NMLS.

In a couple of states, regulators want the ownership interest to total to 100%, despite not being required by the NMLS.

Regulators in another state want all branch managers to be listed as Qualified Individuals in the MU1, despite the branch manager having no control over the operations of the licensee.

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Regulators in a couple of other states have signaled that all owners, even those with a less than 10% ownership, should be reported in the NMLS or set out in an organizational chart that is uploaded in the NMLS.

Regulators in a state or two want an organizational chart, consistent with what the state requires to be shown on the chart, uploaded in the NMLS, and are not content to receive it outside the System.

Regulators in other states have required all control persons to be listed as employees of the licensee, regardless of whether the person is employed by the licensee, its parent company or an affiliate.

We have tried to understand why this is the case, and why some regulators must have state-specific information entered in the NMLS, rather than accept it outside the System. Why? - because it is convenient, we are told. Why? - because the NMLS is based on a One Record Concept. Why? - because we need it and it "will not be a heavy lift to do so." Why? - because our state law expressly requires that we consider such information.

We recognize that there may be an inefficiency for a state in managing some information outside the NMLS, but more inefficiencies and deficiencies arise in other states if information not otherwise required for NMLS purposes is entered in the NMLS.

We recognize the "ONE RECORD" concept of the NMLS, but regulators do damage to this concept if they increasingly continue to require that their state-specific information be entered or uploaded in the NMLS. If this keeps up, perhaps the concept should be called the "50 State Record Concept of the NMLS, plus the District of Columbia, Puerto Rico, the US Virgin Islands, Guam, and the Commonwealth of the Northern Mariana Islands."

As to whether entering information in the NMLS is a "heavy lift," the regulator fails to recognize the implications of entering non-NMLS required, state-specific information into the NMLS. Entering such state-specific information:

- 1) results in confusion and uncertainty as to what is expected and will be required in applying for state licenses nationwide;
- 2) triggers MU2 or other filings in other states that would not be required by that state;
- 3) creates unnecessary additional expense in other states to satisfy non-MLS requirements;
- 4) leads to the imposition of fines or penalties in certain states as the reporting of additional ownership interests is mistaken for a change in ownership;
- 5) could lead to a false attestation, as regulators may compel inaccurate information to be entered into the NMLS;

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6) provides a justification for regulators in other states to no longer accept state-specific information outside the NMLS;

7) renders the NMLS Policy Guidebook false and inaccurate in representing what is expected.

As for the state law requirements, we know that the state law controls, and the NMLS provides as much. We are not suggesting that the NMLS policy takes precedence over any state law, but rather we recognize that the state law prevails. We understand that the NMLS has no authority to make laws or rules that impact the state regulation of any business that is licensed through the NMLS. We are not asking a regulator to dismiss any state requirement. We are not asking a regulator in any state to waive any requirement that is needed to pass muster on whether an applicant can be approved. We recognize and respect that state regulators must hold fast to the requirements that must to be reviewed for a license or a change in control approval. No doubt, a state regulator must consider the information required by the statute she or he administers, but we do not believe that state-specific information must be forced into the NMLS, and made available to regulators in all states, to meet the requirements of one state.

In creating the NMLS, state regulators recognized that some states may have unique filing requirements, and therefore, the NMLS provided that such state-specific information should be submitted outside the NMLS. The NMLS Guidebook provides that “[i]n addition to using their One Record in NMLS to apply for, amend, surrender, or renew their license, applicants and licensees may be required by a state to submit additional items outside the system.” The NMLS, therefore, provides a mechanism by which applicants or licensees can provide information to meet state requirements that exceed that which must be submitted for NMLS purposes. Submitting state-specific information outside the NMLS is recognized and endorsed by CSBS, and we do not believe it is prohibited by any state mortgage finance licensing statute. This has been the acceptable practice since the inception of the NMLS, and regulators generally have been prepared to accept the state-specific filings outside of the NMLS, as provided in the Guidebook. Now we are finding that this is no longer the case, and we have no idea as to why this practice is no longer acceptable in a few states. In 2017, for more than one filing, in more than one state, we have asked that state regulators accept a state-specific filing outside the NMLS and our request was denied, under threat that a license or renewal filing would not be approved.

We have not made these requests arbitrarily, but rather, looked to the state laws and their express language that recognizes the NMLS, and efforts toward achieving greater standardization. Many state mortgage finance licensing laws expressly recognize this goal of the NMLS. For example, the mortgage finance licensing law of one state provides that the state regulators are authorized to, among other things, (1) participate in the Nationwide Multistate Licensing System and Registry in order to facilitate the sharing of information and standardization of the licensing and application processes for mortgage loan originators, mortgage brokers, and mortgage lenders by electronic or other means; and (2) enter into operating agreements, information sharing agreements, interstate cooperative agreements, and

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other contracts necessary for the Department's participation in the Nationwide Multistate Licensing System and Registry. This state's mortgage finance licensing law supports the standardization of the licensing process. Yet, our client was not permitted to follow an acceptable alternative approach to submitting the statutorily required information outside the NMLS.

As each state has agreed to participate in the NMLS to standardize the licensing process, we would think that regulators in each state would seek solutions that would be consistent with the NMLS when they can do so. We recognize that each state retains full and exclusive authority in determining who may be issued a license, but that authority is not undermined in any way if a state regulator accepts filings unique to her or his statute outside of the NMLS. Indeed, by accepting uniquely state-required filings outside the NMLS, state regulators would be both fulfilling those provisions of the statute that recognize the NMLS, while retaining exclusive authority as to the information called for in the licensing statute.

We are at a crossroads, and hope that these fissures in the licensing process can be repaired before the fault line grows wider, and more states demand that state-specific information be entered or uploaded in the NMLS. We think the CSBS and the State Policy Committee should strongly re-affirm that the intent of the NMLS is to strive for uniformity, and strongly discourage state regulators from compelling state-specific information to be added to MU1 Record or uploaded in the NMLS. Perhaps, as part of the CSBS Accreditation Program for "State Mortgage Agencies," CSBS should evaluate a "State Mortgage Agency's" efforts toward achieving uniformity in the state licensing process.

Additionally, as part of NMLS 2.0, we understand, CSBS is giving serious thought to establishing a functionality through which state-specific information can be submitted or uploaded in the NMLS. NMLS 2.0 may provide the remedy to the concerns raised in this letter. We have mixed feelings about this change in functionality, but from what we have seen this past year, we believe it is a more favorable alternative than enabling states to force applicants and licensees to enter information in the NMLS that is not required by the NMLS or other states. We trust this functionality for NMLS 2.0 is being favorably considered. In the interim, if the information required under a statute is not required for NMLS purposes, state regulators should be strongly encouraged to accept the submission outside the System and then transition this information on to the NMLS, in the "state-specific page," as part of NMLS 2.0.

We thank you for your consideration of our concerns, and trust that they will be given full consideration by state regulators, the State Policy Committee and CSBS.

Sincerely,



Costas A. Avrakotos