

# APPROVED NMLS FORM AND MORTGAGE CALL REPORT CHANGES FOR IMPLEMENTATION ON MARCH 31, 2014

State Regulatory Registry LLC 1129 20th Street NW, Ninth Floor Washington, D.C. 20036-4307

March 5, 2014

#### **Purpose of Forms and MCR**

The Forms create a national standard of information collection for company, branch, and individual licensure agreed to by all NMLS participating state agencies. The Forms are intended to provide state regulators with sufficient information to make a decision to approve a new license, continue a license authority, or approve a license renewal request, while at the same time promoting transparency and driving uniformity across NMLS participating state agencies.

The NMLS Mortgage Call Report provides timely, comprehensive, and uniform information concerning the financial condition of licensed mortgage companies, their mortgage loan activities, and the production information of their mortgage loan originators. This information enhances a state regulator's ability to effectively supervise licensees, determine examination schedules, monitor compliance with state law and requirements of Title V of P.L. 110-289, the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("SAFE Act")<sup>1</sup>, and accurately calculate assessments when applicable.

A goal of both the Forms and the NMLS Mortgage Call Report is that, over time, they include all necessary information required by regulators such that requirements do not need to be submitted and tracked outside NMLS. With each revision of the Forms since 2008, this goal has been furthered, as is evidenced by the significant reduction in the items on state specific checklists.

#### **Background**

On a biennial basis, the NMLS Policy Committee (NMLSPC) undertakes a review of the Forms and the MCR after receiving input from participating state agencies and inviting public comment. The purpose is to update the Forms and MCR to provide better information to state regulators and to make improvements in the use of NMLS to support these changes.

All Form comments were reviewed by the Forms Working Group, comprised of state regulators, and discussed with all state regulators. All Mortgage Call Report comments were reviewed by the Mortgage Call Report Working Group comprised of state regulators and were reviewed with all state regulators. The recommendations for proposed changes from the regulator groups were sent to the NMLS Policy Committee for consideration and these changes were submitted for additional public comment on October 11, 2013.

The following is a comprehensive outline of the changes effective March 31, 2014 that have resulted from the work of the following working groups:

Forms WG Mortgage Call Report WG

<sup>&</sup>lt;sup>1</sup> The full text of the SAFE Act can be found at <a href="http://mortgage.nationwidelicensingsystem.org/SAFE/NMLS%20Document%20Library/SAFE-Act.pdf">http://mortgage.nationwidelicensingsystem.org/SAFE/NMLS%20Document%20Library/SAFE-Act.pdf</a>

#### **Request for Comments**

On April 12, 2013, the State Regulatory Registry LLC (SRR)<sup>2</sup> invited <u>public comments</u> on the Uniform NMLS Licensing Forms ("Forms") and the Mortgage Call Report ("MCR"). The deadline for submitting comments was June 11, 2013. After a review of the comments by the MCR Working Group, the Forms Working Group (Addendum A) and the <u>NMLS Policy Committee</u>, SRR invited public comments on October 11, 2013 for the <u>proposed changes</u> to the Forms and the MCR. Comments were due November 11, 2013. All submitted comments for the April comment period and October comment period are available on the NMLS Resource Center. The <u>Response to Comments</u> document is available on the NMLS Resource Center.

#### Implementation of Changes

While the new Form changes will be implemented on March 31, 2014, licensees will not have to complete new sections of the form until they make a new filing.

New and existing users to NMLS should become familiar with the changes to the various sections of the Forms and MCR and update their record as necessary. Additional changes to NMLS can be found in the 2014.1 Release Notes posted on the NMLS Resource Center.

The approved changes to the MU Forms described below will be implemented in the system, paper Forms, Help Documents and NMLS Policy Guidebook for Licensees in March 2014.

#### Company Form Changes

#### **Disclosure Question Updates (State Context)**

• The text of Company Filing disclosure question (E) regarding regulatory actions was updated to ask if there is "a pending regulatory action *proceeding* against the entity or a control affiliate [...]." Any responses to this question will be removed and a company will have to answer the new question on the next filing.

#### **Branch Form Changes**

#### **Identification of Branch Managers by Industry and State (State Context)**

• Branches will need to define Branch Managers as appropriate for the licenses they hold.

<sup>&</sup>lt;sup>2</sup> State Regulatory Registry LLC (SRR) is a nonprofit subsidiary of the Conference of State Bank Supervisors (CSBS) that operates NMLS on behalf of state financial services regulatory agencies.

#### Company Form and Branch Form Changes

# **Updated Business Activity (State Context)**

• The Business Activity "Reverse mortgage originations" was renamed "Reverse mortgage activities". Filers should verify that this definition matches their current activities, and submit an updated filing if necessary.

#### Mortgage Call Report (MCR) Updates

• Biennial updates to improve usability of the Mortgage Call Report (MCR) pursuant to public comment. Detailed changes are found in this document.

# **COMPANY FORM CHANGES**

One Disclosure Question has been updated, under Regulatory Action Disclosure. Question E has been updated to: "Is there a pending regulatory action proceeding against the entity or a control affiliate for any alleged violation described in (C) through (D)?"

Regulatory Action Disclosure	
(C) In the past 10 years, has any State or federal regulatory agency or foreign financial regulatory authority or self-regulatory organization	(SRO) ever:
(1) found the entity or a control affiliate to have made a false statement or omission or been dishonest, unfair or unethical?	○Yes ® No
(2) found the entity or a control affiliate to have been involved in a violation of a financial services-related regulation(s) or statute(s)?	●Yes ○No
(3) found the entity or a control affiliate to have been a cause of a financial services-related business having its authorization to do business denied, suspended, revoked or restricted?	○Yes ®No
(4) entered an order against the entity or a control affiliate in connection with a financial services-related activity?	
(5) denied, suspended, or revoked the entity's or a control affiliate's registration or license or otherwise, by order, prevented it from associating with a financial services-related business or restricted its activities?	○Yes ® No
(D) Has the entity's or a control affiliate's authorization to act as an attorney, accountant, or State or federal contractor ever been revoked or suspended?	○Yes ® No
(E) Is there a pending regulatory action proceeding against the entity or a control affiliate for any alleged violation described in (C) through (D)?	● Yes ○ No

Based on public comment, the word "proceeding" was added to Disclosure Question E of the Company Form. Responses to this question will be removed and companies will have to evaluate this change in wording and answer the question on their next filing.

Redline Version of Company Disclosure Question E

(E) Is there a pending regulatory action <u>proceeding</u> against the entity or a control affiliate for any alleged violation in (C) through (D)?

Company Disclosure Question E as of March 31, 2014

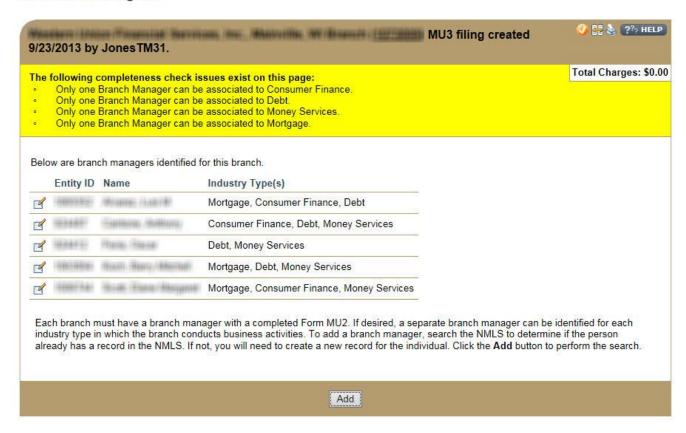
(E) Is there a pending regulatory action proceeding against the entity or a control affiliate for any alleged violation in (C) through (D)?

#### **BRANCH FORM CHANGES**

Starting March 31, 2014, a branch may designate more than one branch manager per industry. Only one branch manager per industry per state will be permitted. For example, if a branch holds 15 mortgage licenses in 15 states, up to 15 mortgage branch managers may be designated – one for each state. In addition, a branch manager may only be designated if a branch holds a license in a state. The screenshots below demonstrate the prior manner in which the system worked as well as the new way branch managers may be designated.

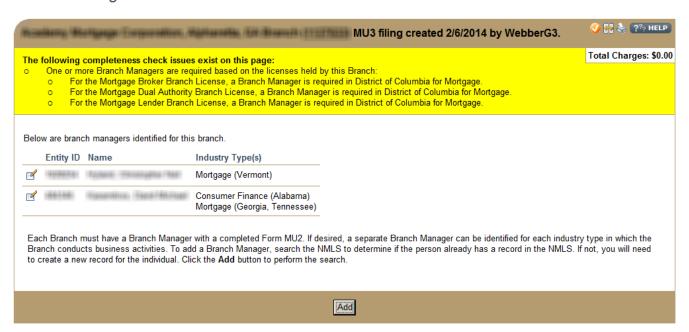
Prior error message when more than one manager was assigned to one industry type:

# **Branch Managers**



Branch Managers will be assigned one or more states, and the industry types they are responsible for in each state. Previously they could only be associated with industry types, which did not fully represent the set of Branch Managers a Branch needed in some cases.

#### **Branch Managers**



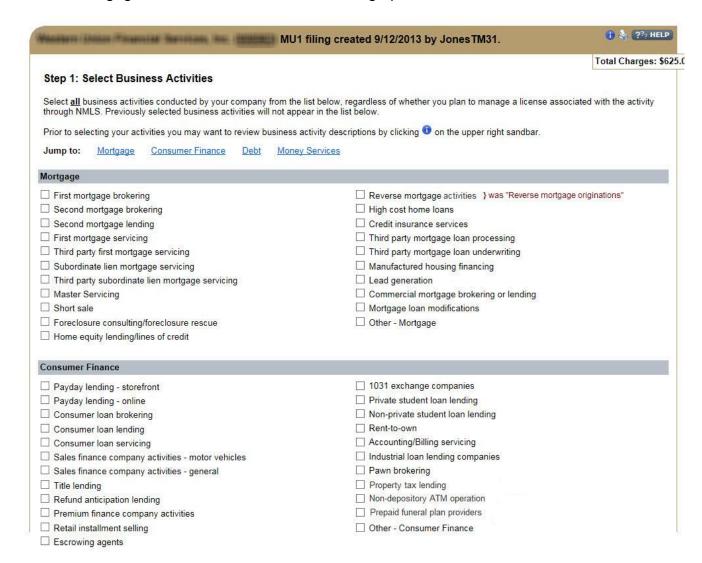
# Example of how Branch Managers might be displayed for a company after March 31, 2014: Branch Managers



# **COMPANY FORM AND BRANCH FORM CHANGES**

Business Activities change includes the following:

 Under Mortgage, "Reverse mortgage originations" is being changed to "Reverse mortgage activities". The definition is being updated as well.



After March 31, 2014, the business activity "Reverse Mortgage Originations" will become "Reverse Mortgage Activities". The definition will be updated to reflect the change in activity term.

#### Redline Version of Definition

Acting as a broker, <u>or lender</u>, <u>or servicer</u> for a loan secured by a lien on residential real estate in which the homeowner is not required to make payments on the loan until a specific event occurs (e.g. homeowner ceases to reside in the property).

# Definition as of March 31, 2014

Acting as a broker, or lender, or servicer for a loan secured by a lien on residential real estate in which the homeowner is not required to make payments on the loan until a specific event occurs (e.g. homeowner ceases to reside in the property).

# **MORTGAGE CALL REPORT (MCR) UPDATES**

This enhancement comprises the biennial updates to improve usability of the Mortgage Call Report (MCR) pursuant to public comment.

The changes to the Mortgage Call Report (MCR) will require that there is a form version update to the MCR filing. The way that the form functions may vary from submissions from prior quarters. The field definitions may also vary by form version. The system will identify what form version the filing is and the current and past form version field definitions are available on the NMLS Resource Center. The form version change will also include updates to XML upload specification document. Unless otherwise noted, all changes will be applied only to the new form version (FV3).

A new data analysis platform has been created that will help regulators to analyze data within NMLS. The first application being built on the platform is "Mortgage Call Report Analytics." This application will present analysis of MCR data to the regulators to help identify potential risks, display aggregated charts and graphs, and help regulators schedule their exams.

There are three enhancements related to the usability of the form. All of these enhancements will apply to previous form versions as well as the new form version:

- The print-view display of the MCR filing will be updated so that the totals will be bolded.
- Data entry fields will be updated to display <u>commas</u> during data entry.
- The dollar amounts and counts in completeness checks and data validation warnings will be updated to contain commas, where appropriate.

Updates to the Financial Condition (FC):

- Update the assets section to break out the rows into short-term and long-term (see Appendix A below).
  - Add two new headers for short-term and long-term assets.
  - Reorder the rows to correspond to the appropriate section.
  - Add two new calculations to subtotal the short-term and long-term assets.
  - Update the calculation for A240 (Total Assets) to be the sum of the two subtotals.
- Update the liabilities section to break out the rows into short-term and long-term (see Appendix B below).
  - Add two new headers for short-term and long-term liabilities.
  - Reorder the rows to correspond to the appropriate section.
  - Add two new calculations to subtotal the short-term and long-term liabilities.
  - Update the calculation for B220 (Total Liabilities) to be the sum of the two subtotals.
- Before row D200, add the header: Other Non-Interest Expenses. This header corresponds to the calculation in D300.

- Move lines B230 and B240 after line B310.
  - Update the calculation for B350 to include these new fields.
  - Update the calculation for B360 to be equal to B220 + B350.
  - Update the completeness check that the balance sheet balances so that B230 and B240 are not double counted.
- The following field titles will be updated:
  - A060AF: Reserve For Credit Losses On Loans
  - C710: Permanent Impairment (not MSR-Related) & Other Credit Related Losses
- Row A060AF will be updated to allow users to enter only a positive value.
- The following calculations will be added:
  - Update A030: Equal to A030T (Column 1)
  - Update A032: Equal to A030T (Column 2)
  - Update A034: Equal to A030T (Column 3)
  - Update A036: Equal to A030T (Column 4)
  - Update A060: Equal to A060T (Column 1)
  - Update A062: Equal to A060T (Column 2)
  - Update A064: Equal to A060T (Column 3)
  - Update A066: Equal to A060T (Column 4)
  - Update A090: Equal to A090T
  - Update A160: Equal to A160T
  - Update A220: Equal to A220T (Column 1)
  - Update A090T: Equal to the sum of A090A and A090B
  - Update A060AF: Allow users to provide a value in column 2
- New optional note fields related to the following:
  - A060AH
  - A060AI
  - A220G
  - A220H
  - B350N
- Two new Completeness Checks:
  - A230 is equal to A230T. This CC is relevant only on the E-FC as A230T does not exist on the S-FC.
  - B350 is equal to B350T. This CC is relevant only on the E-FC as B350T does not exist on the S-FC.
- One New Data Validation Warning:

B180 is equal to A220T (Column 2). This warning is relevant only to the E-FC as these fields do not exist on the S-FC.