



**RESPONSE TO COMMENTS RECEIVED DURING THE SRR COMMENT PERIOD ON THE
Uniform NMLS Licensing Forms and Mortgage Call Report
MAY 1, 2015 TO JUNE 1, 2015
Posted July 21, 2015**

Background

On May 1, 2015 the State Regulatory Registry LLC (SRR)¹ invited [public comments](#) on the Uniform NMLS Licensing Forms (“Forms”) and the Mortgage Call Report (“MCR”). The deadline for submitting comments was June 1, 2015. All submitted comments are available on the [NMLS Resource Center](#). After review of the comments by the MCR Working Group, the Forms Working Group (Addendum A) and the [NMLS Policy Committee](#) (NMLSPC)², the following is a summary of the comments received with SRR’s responses regarding proposed improvements to the Forms and MCR. With the feedback received, SRR intends to provide a second 30-day public comment period with more targeted changes to the Forms and MCR in late Summer 2015, with targeted integration within NMLS in 2016 and 2017.

Goals of the Uniform NMLS Licensing Forms and the NMLS Mortgage Call Report

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 driving greater transparency and uniformity across NMLS participating regulatory jurisdictions.

The NMLS Mortgage Call Report provides timely, comprehensive, and uniform information concerning the financial condition of licensed mortgage companies, their mortgage loan and servicing 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”)³, and accurately calculate assessments when applicable.

¹ 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.

² To assist it in making decisions and handling operational matters, the SRR Board of Managers created the NMLS Policy Committee (NMLSPC) which is comprised of 11 state regulators. The NMLS Policy Committee provides SRR a mechanism to make policy decisions for NMLS with regards to its impact on meeting state licensing regulations. Decisions are made after considering input from NMLS Participating State Agencies, licensees and industry. The roster of the NMLSPC can be found at <http://mortgage.nationwidelicencingsystem.org/about/Documents/2015%206%201%20NMLS%20POLICY%20COMMITTEE%20LIST.pdf>

³The full text of the SAFE Act can be found at <http://mortgage.nationwidelicencingsystem.org/SAFE/NMLS%20Document%20Library/SAFE-Act.pdf>

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, achievement of this goal has been furthered, as is evidenced by the significant reduction in the items on state specific checklists over time.

Uniform NMLS Licensing Forms

The Forms were initially created through monthly in-person meetings coordinated by the Conference of State Bank Supervisors (CSBS)⁴ and the American Association of Residential Mortgage Regulators (AARMR)⁵ over a two-year period starting in 2005.

Based upon regulator experience and industry input, the Forms were finalized and published in January 2007. These finalized forms were built into NMLS with minor changes in January 2008, coinciding with the launch of NMLS.

NMLS Mortgage Call Report

The MCR is a quarterly report of condition an entity submits through NMLS. These quarterly reports are comprised of two parts: the state-level “Residential Mortgage Loan Activity Report” and the entity level “Financial Condition Report.”

The SAFE Act, which became effective July 30, 2008, required NMLS to develop a mortgage call report that mortgage licensees must submit through the system:

“MORTGAGE CALL REPORTS-Each mortgage licensee shall submit to the Nationwide Mortgage Licensing System and Registry reports of condition, which shall be in such form and shall contain such information as the Nationwide Mortgage Licensing System and Registry may require [12 USCA §5104(e)].”

In addition to meeting SAFE Act requirements, state regulators intend the MCR to be sufficient enough to replace state specific reporting and uniform in order to enhance transparency and oversight of state licensed mortgage brokers, lenders, and servicers.

State regulators held conference calls with state and national trade associations in December 2008 to brief the associations on the proposed SAFE Act Implementation Plan, including the MCR provisions.

A working group of state regulators commenced in June 2009 to develop the MCR and accompanying policies. In March 2010, SRR invited [public comment](#)⁶ on the proposed MCR. SRR received 88 comments during this comment period and published a final version of the MCR in November 2010. The MCR was implemented in NMLS in May 2011.

⁴ Information about the Conference of State Bank Supervisors can be found at <http://www.csbs.org/Pages/default.aspx>

⁵ Information about the American Association of Residential Mortgage Regulators can be found at <http://www.aarmr.org/>

⁶ The 2010 MCR public comment document can be found at <http://mortgage.nationwidelicencingsystem.org/news/ProposalsForComment/Public%20Comment%20Request%20for%20NMLS%20Call%20Report.pdf>

This current Request for Comments on the Forms and MCR is the fourth time the NMLS Licensing Forms and MCR have been put out for public comment. Based on [comments received](#), changes to the Forms and MCR on [January 25, 2010](#), [April 16, 2012](#), and [March 31, 2014](#), can be found on the NMLS Resource Center.

Responses to Comments

At the end of the May public comment period, SRR had received submissions from eleven commenters with respect to the Forms and MCR. Commenters included industry trade groups, state licensed mortgage companies and industry representatives. The comments were reviewed by the Forms Working Group, the MCR Working Group, and the NMLSPC.

The following is a summary of the major topics raised in the comments, SRR's response to those comments, and proposed changes to the Forms and MCR which will go out for a second 30-day public comment period, to be integrated into NMLS in 2016.

Uniform NMLS Licensing Forms

NMLS Expanded Industries

To the topic raised by SRR concerning the expansion of NMLS to manage license authorities beyond the mortgage industry, one commenter provided feedback. The commenter expressed concerns that with the expansion of NMLS to include additional industries such as consumer finance, debt, and money service businesses, the NMLS Unique Identifier becomes confusing for consumers in differentiating between an NMLS ID used by a mortgage company or loan originator and that of another industry type. The commenter suggested that as NMLS continues to expand into other industries, the System should assign NMLS Unique Identifiers that are distinguishable by industry type.

SRR Response

SRR believes that the NMLS Unique Identifier format currently in place is appropriate given that multiple Unique Identifier types would make it more cumbersome for consumers in identifying individuals and companies they are working with or intend to do business with. The use of a single Unique Identifier per entity ensures a single record for that entity, regardless of their business activities and industry type. The utilization of the NMLS Unique Identifier does not constitute an "Approved" entity, but is instead used as an entry point into the System. NMLS will continue to use Unique Identifier format currently in place as it expands into additional industries.

Comment Box Added to Forms

One commenter suggested the addition of comment boxes to the Licensing Forms to allow industry to provide an explanation to regulators on why a certain amendment filing was made to distinguish between a filing clean-up verses material changes to the record.

SRR Response

The addition of comment boxes to the Licensing Forms is an approach SRR is researching to determine the appropriateness of their inclusion and if included whether comments should be permitted in every form section or if there should be a designated comment section. There is some concern that the usage of comment boxes may be utilized by some filers to replace needed disclosure updates and there is the possibility of inappropriate information being incorporated into an entity's record.

Fingerprint Retention in the System

Two commenters provided feedback on the topic of fingerprint retention in the System to remove the obligation of MLO licensees to periodically re-submit fingerprints during subsequent MLO license applications and renewals, if their fingerprint record on file is over than 3 years old. Commenters believe that the current procedure for Criminal Background Check processing with respect to the 3 year timeframe creates unnecessary industry burden.

SRR Response

NMLS is currently configured to comply with the FBI rules related to the requirements for new Criminal Background Check authorizations and use of stored electronic fingerprints. As such, NMLS is configured to only allow MLO licensees to utilize stored electronic fingerprints if the prints are less than 3 years old. Additionally, the FBI recently made available the federal Rap Back functionality which allows authorized recipients to receive real-time updates related to an individual's criminal history information. These updates ensure authorized recipients are aware of the most recent criminal information on individuals they supervise. SRR is currently working with the FBI to implement this functionality within NMLS, which when deployed will remove the individual requirement of new fingerprint submissions, regardless of the age of the prints on record. This functionality is targeted for NMLS implementation in 2016.

NMLS Mortgage Call Report

Dynamic MCR Based on Business Activities

Three commenters provided feedback on the question of whether NMLS should reconsider the Standard and Expanded MCR concept (based on designations in the Company MU1 Form) in favor of a MCR based upon a company's selected business activities or license type in order to collect information that is pertinent to the actual entity. Commenters consider the current approach burdensome to small companies and should be more tailored in requiring the submission of only pertinent information. One commenter expanded on this concept by recommending the MCR be based on loan volume in addition to business activities and license type.

SRR Response

SRR agrees that enhancing the MCR to be a dynamic form based on a company's business activities is a priority. This approach will enhance the quality of data provided and decrease the reporting burden of mortgage companies by only presenting appropriate data fields based on the

actual entity. SRR is beginning the process of mapping out required MCR fields based on business activates to peruse the actualization of a dynamic MCR.

Consolidation of State Reporting Requirements

Two commenter provided feedback on the goal of the NMLS Mortgage Call Report to include all necessary information required by regulators such that requirements do not need to be submitted and tracked outside NMLS. One commenter also noted that the current process of having to submit state-specific reports that are duplicative of the information within the MCR is cumbersome and inefficient. It was recommended that SRR work with the state regulatory agencies to extract the unique information requirements within each state’s regulations, and asked the state agencies to use the MCR data in lieu of their state-specific reports.

SRR Response

SRR recognizes the cumbersome nature of reporting duplicative information that is contained within the MCR and required on state-specific reports. SRR is working with industry participants and associations to determine what external state-specific reports can be removed due to current MCR content and through its expansion to reduce reporting burden. The removal of a state-specific reporting requirement becomes more difficult however when it is mandated legislatively.

The Financial Condition (FC) Component

In the Request for Public Comment SRR solicited feedback on the Financial Condition (FC) Component of the MCR, specifically for suggestions to improve the information collected on the FC as it has not been updated on a consistent basis to keep pace with standard accounting changes and relevancy to certain areas of state supervision of mortgage companies. One commenter suggested elimination of the FC component, due to industry struggling to complete required fields. Another commenter urged that any contemplated changes to the FC should be done in unison with federal agencies as the FC is based upon the Mortgage Bankers’ Financial Reporting Form (MBFRF), a form utilized by mortgage bankers to report financial information that Fannie Mae, Freddie Mac and Ginnie Mae use to evaluate the creditworthiness and financial stability of individual lenders with whom they do business.

SRR Response

The elimination of the FC component of the MCR would force many state agencies to require the same level of company financial information currently collected on the component, to be submitted externally from NMLS. This is contrary to the goal of the NMLS MCR to reduce external, state-specific reporting requirements, and is not an option being considered by SRR. Additionally, as SRR looks to enhance the FC and other MCR components, feedback from industry trade associations, federal and state agencies, and relevant industry stakeholders has been and will continue to be considered in developing a comprehensive report that meets state’s needs.

Qualified vs. Non-Qualified Mortgages

In April 2015 with the MCR’s recent form version update, the report was enhanced to include fields to capture Qualified Mortgages (QM) and Non-Qualified Mortgages. One commenter suggested

the MCR also include additional lines to capture loans that are not subject to QM standards or loans in a portfolio being held for investment that were originated prior to QM standards went into effect.

SRR Response

SRR provided guidance in the [MCR FAQs](#) to report loans that are exempt from the QM standards such as reverse mortgages as Non-Qualified Mortgages, and to report loans in a portfolio being held for investment that were originated before the QM standards went into effect as QM, in both cases with a note to the regulators. In the next form version update, SRR intends on including fields to capture loans that are not subject to QM standards in the state-specific RMLA and fields to capture loans in a portfolio being held for investment originated prior to QM standards to the FC.

Definition of “Application”

One commenter urged SRR to adopt a definition for “Application” that mirrors the definition under federal law and the Home Mortgage Disclosure Act (HMDA). It has been argued that different interpretations of the term “application” increase the regulatory burden incurred by mortgage companies, making it more difficult to collect loan origination information for state and federal reporting purposes.

SRR Response

With the guidance provided on the [MCR Field Definitions](#) regarding the revised definition of “application,” no new reporting requirements have been added. The revised definition seeks to clarify the data state regulators want reported as the definitions under federal law do not capture all of the loans necessary to state regulators. The purpose of the MCR is to provide state regulators, through the use of data, with a means to identify, measure, monitor and control risk at the licensee level and to monitor the industry as whole. The byproduct of reverting to strict alignment with the proposed HMDA definition of “application” would be no reduction in out-of-system reporting to state agencies as well as a possible increase in these reports for other state agencies in order to capture the required application information.

This definition specifically identifies what a “Residential Property” is and what loans fall under the MCR umbrella. Of note is that non-owner occupied and commercial loans are to be excluded from “application.”

Additionally, Pre-Qualifications and Inquiries are only reported if they result in a denial, which is in accordance with the Equal Credit Opportunity Act (ECOA) Notice requirement. The guidance also clarifies that Pre-Approvals must be reported on the MCR. Industry uses these terms interchangeably and they are not mirror terms. The proposed guidance draws the distinctions needed to identify and separate these often confused terms.

Since state regulators have urged the CFPB to adopt a definition of “application” that is consistent with state requirements in order to alleviate additional burden on industry, SRR decided to publish guidance starting in the first quarter of 2015, but delayed full System enforcement for adherence to this guidance until the first quarter of 2016. State regulators will review the final definition of “application” under the HMDA rule from the CFPB to determine whether or not this definition

comports with state supervisory purposes. Any changes to the MCR definition based on this input and additional input from industry will be publicized in advance to state licensees in order to comply with first quarter of 2016 enforcement. Industry should, however, consider the guidance provided in the first quarter of 2015 to be final, absent additional guidance, and enforceable for MCR reporting in the first quarter of 2016.

Pool Reporting

One commenter mentioned that the changes to the MCR effective April 1, 2015 specifically in requiring under Section III - Loans Serviced the inclusion of NMLS ID, Owner Name, Pool Number, UPB & Loan Count, proved to be overly burdensome. More specifically the breakdown by pool number was problematic given that several loans were separated into very small pools that were required to be reported separately and there was no upload feature. The commenter suggested removing this requirement from the MCR or modifying the functionality to be more user friendly.

SRR Response

SRR provided guidance in the [MCR FAQs](#) regarding pool reporting and advised filers that due to the large amount of data/pools that are being reported in some cases, pools should be limited to investor type and provided in the aggregate. Retention of work papers is important so that during an examination the pools can be reviewed adequately. In addition to the guidance provided, SRR is exploring an upload option to accommodate those companies which are reporting large amounts of data.

MCR Print File Option

With it being necessary at times to review previously submitted MCRs to analyze historic data, one commenter noted the importance of enabling a company to view and print an entire MCR filing in one click. With current functionality the company has to individually select and print each component, including each individual state-specific RMLA, to see the MCR filing as a whole.

SRR Response

Due to the potential value added for industry stakeholders in allowing companies to view and print an entire quarter's MCR filing in one click, the MCR print file option is a functionality SRR is exploring for future deployment.

Forms and MCR

Biennial Review

To the current practice by the NMLS Policy Committee in reviewing and improving the Forms and the MCR biennially on a congruent schedule, after receiving input from participating state agencies and inviting public comment, two commenters provided feedback. One commenter stated that biennial review and possible revision may not be worthwhile considering the impacts of reporting changes including their costs. This commenter suggested a longer period of time, at least four years between Form and MCR revisions, with more frequent changes only if necessary. This commenter also suggested staggering the Forms and MCR maintenance schedules to reduce

industry impact. The other commenter expressed support in continuing the biennial process employed as it allows for greater focus from the industry on matters related to the Forms and MCR. The commenter stated that the current biennial process achieves increased stakeholder input and education on changes.

SRR believes that with the continuing expansion of NMLS to include more industries and to align with frequent industry changes, the biennial review process is still appropriate. Additionally, SRR intends on continuing the practice of reviewing the Forms and the MCR on congruent schedules, to avoid making major System changes on an annual basis if maintenance schedules were alternated.

Non-Form/MCR Comments Received

Various commenters submitted feedback that was not relevant to this Request for Public Comment. Those comments were not considered by the working groups or the NMLSPC.

Addendum A

NMLS Licensing Forms Working Group

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