NMLS Ombudsman Meeting
Marriott Marquis, San Diego, CA
2:00 – 5:00 p.m. Pacific
February 16, 2015

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1. **Robert Niemi, NMLS Ombudsman**
   Deputy Superintendent for Consumer Finance, Ohio Division of Financial Institutions

   - Ombudsman Update and Issue review

     Opening remarks were made by Bob Niemi. In addition to serving as NMLS Ombudsman, Bob also serves on the NMLS Policy Committee. Policy Committee members in attendance were introduced. 90 unique topical emails were received during 2014, all of which were resolved directly by the Ombudsman, or referred to the appropriate party for resolution. Bob Niemi stated that throughout 2014, the NMLS Ombudsman attended other state regulator meetings including AARMR, NACCA, NACARA and MTRA. He also attended numerous industry-sponsored events to discuss changes to the System and to hear comments from the regulated industries.

2. **Ellen D. Smith, Vice President – Lending**
   Envoy Mortgage

   - Reasoning behind state-specific fingerprint cards and background checks

     It was asked that states which require state-specific fingerprint cards share with the attendees their reasons for that requirement. Some agencies require a lot of additional information to be included on the state-specific fingerprint cards, while others add in certain codes as identification. For multi-state lenders, it's a complicated and time consuming process to submit a filing in NMLS, wait for the agency to send the fingerprint cards, and then wait for license approval while the state background check is processing. Ellen suggested the agencies provide the codes on the Checklists to be included on the fingerprint cards, to be imputed by the licensees, to decrease the application processing timeframe.

- Request for Earlier Deadlines for License Renewals

  With the renewal period occurring from November 1 through December 31, it is a common practice to begin prepping for renewals prior to November 1. Some states enforce a date earlier than December 31 for all renewal submissions and this is found to be useful for compliance staff. Some companies may not want to make significant changes (i.e. control officer changes) during the renewal period because they are focused on getting their license renewed and approved to conduct business prior to year end so an earlier enforced deadline might help alleviate some of the year end renewal issues. The approval time of control persons typically increases during renewals. Tim Doyle, Senior Vice President, Policy & Development, SRR, reported that at AARMR this issue was raised but we found that 94% of all renewal requests made in November were approved by December 31. This highlights the need for licensees to get their renewal request in by the end of November.

3. **Trish Lagodzinski, Compliance Professional**
   Chartwell

- Complications in Creating and Submitting MU2 Forms

  It is difficult to get all of the MU2s completed and attested in a timely manner as required in the licensing process. Some Executive Officers, Directors and other control persons may not be familiar with the licensing process, or they may find all of the personal reporting confusing in general. Chartwell offers training for officers and directors, but has SRR considered executive training regarding the MU2s? It was suggested to allow third parties to obtain a Power of Attorney for MU2 attestation, which could include consultants, executive assistants, other persons or organizations that represent the company, or an executive in the licensing process.

- Process for NMLS Users who do not have Social Security Numbers

  International companies may have control persons who do not have U.S. Social Security Numbers. Without a SSN, it takes longer for control persons to receive a NMLS account and login information, which results in a longer period of time to get applications processed for international clients.

- Process for Uploading Financial Statements for Affiliated Companies in a Secure Manner & Expansion of Permissible Document Types for NMLS Document Upload

It was asked whether SRR plans on housing parent company financial statements in another section other than the Financial Statements section of the company filing as the Financial Statements section is exclusively for the applicant's financial statements or consolidated financial statements from the parent company. To meet the application requirements for financial statements from parent companies that are not consolidated, Trish reported that she has been uploading the additional parent and ultimate parent information in the Company MU1 filing, in the Document Upload section as Document Type: Document Samples. Keisha Whitehall Wolfe, Maryland Office of the Commissioner of Financial Regulation, reported that currently there is not a particular place for this item but on NMLS Resource Center there is a guide of what types of documents should be included in the company account and their appropriate upload location. We are exploring adding additional document upload types but the labels of the document upload are indicative of the types of documents to be uploaded to that location. This helps drive the appropriateness of the documents uploaded and enables the states to evaluate whether documents being required are necessary. Amy Greenwood-Field, Dykema, reported that some examiners are asking for documents to be uploaded in the wrong place, which should be avoided. Rich Cortes, Connecticut Department of Banking, reported that his agency is participating in an examiner training program and document upload should be included in the program.

4. **Trae Scuncio, Senior Licensing & Maintenance Specialist**
   The Compliance Group Inc.

- Acknowledgement by Regulators of Receipt of Responses to Deficiencies

  As a compliance company, one of the biggest hurdles with respect to licensing is dealing with deficiencies received in connection with a license application. Trae inquired about the feasibility of agencies acknowledging receipt of items requested. The Compliance Group Inc. is not looking for clearance on items, just receipt of them being received. Greg Oaks, Florida Office of Financial Regulation, reported that his agency runs into challenges in sending a receipt that an item has been received due to agency practices. An attendee from the Massachusetts Division of Banks reported that the agency tries to inform licensees when an item is received, but they can't give clearance until review is complete. Keisha Whitehall Wolfe reported that volume in MD makes it difficult to determine whether an item has been received until it's reviewed and at that time the deficiency is cleared if the requirement is satisfied. Sue Clark, Vermont Department of Financial Regulation, reported that the agency processes information in the order received and requested industry to allow reasonable time to review prior to reaching out. Various other state regulators described their use of the license status Pending-Review once all applicable documents are received.

- Deadline Dates for State Renewal Checklists

  Trae noted that some regulators update their renewal checklists close to or during the renewal period, which makes it difficult to track requirements. It was reported by SRR that the agencies are encouraged to complete their renewal checklists by Labor Day, but occasionally changes are made to the checklists after that date. With this being the case, licensees can subscribe to a RSS feed which will inform licensees through an email notification of any changes to a checklist.

5. **Cindy Corsaro, Licensing Specialist**
   FirstKey Mortgage, LLC

- Addition of Various Due Dates for Renewal Items

  Cindy Corsaro reported that she has come across discrepancies between the due dates for renewal and/or renewal documents listed on NMLS and the renewal checklists, which may also differ from the actual state statutes. Cindy requested that information be listed consistently on the renewal checklists and deadlines list in NMLS, to increase the accuracy and timeliness of renewal filings.

- Single Download to Include All Complete MCR (Mortgage Call Report) Filings

  As a multistate licensed company it would be helpful if NMLS could provide an easy download of completed quarterly MCR filings, which include all states. When managing multiple states, it is very time consuming to save each individual state as a pdf and/or print out each individual state separately.

- ACN (Advance Change Notice) Windows for Naming of QI (Qualified Individuals)

  When adding a new QI or control person, only one effective date is permitted in the System. You are unable to select different dates for each state, which is problematic when one state has a longer ACN requirement than another as it holds up that control person's approval. Tim Lange, Senior Director, SRR, reported that this is an issue that is being addressed through a system enhancement in April of 2015.

- Document Uploads

  Once a filing has been submitted, there is no organization with respect to the order of the documents uploaded. This makes it difficult to locate and reference submitted documents. Organizing either by category of upload, state or date of upload would be helpful. Tim Doyle reported that originally this was not built as a document management function for the company, but this is something that SRR is examining.

- Pending MU1 – Highlight Pending Changes

  In coming back to make changes to an un-submitted/ pending filing, it would be helpful if NMLS highlighted or reflected in hover view what sections have been changed since the pending filing was created. Tim Doyle reported that this is something SRR can examine to determine the complexities of redlining un-submitted changes.

- On Education Page Display Due Dates for CE (Continuing Education) by State

  During the renewal period, it would be helpful to display the due dates for CE by state on the Education page, as dates may differ substantially from state to state.

- Renewal Deadline Dates on Renewal Checklists

  It would help organizing the submission of renewals if the renewals checklists included the renewal due dates on the checklist itself.

- Display of Entity Name Upon Account Sign-in

  As someone who represents multiple licensees in multiple accounts, it would be beneficial if NMLS displayed the entity name on the header of each page, once logged-in.

6. **Jeff Goshert, Chief Compliance Officer**
   Nations Lending Corporation

- Use of Loan Originators legal name/other names on Documents and in Social Media

  There is a lack of uniformity between the various regulators towards the usage of the licensed name of the loan originator and the "other names" listed in NMLS. Some regulators will only accept only the full licensed name on various forms of social media, (i.e. LinkedIn or Facebook) while others allow a name that is also listed on the "other names" page. This complicates matters if the LO is license in multiple agencies. There is not continuity amongst states on what is an appropriate name and the use of other names.

- How States Look at Social Media as an Advertisement and how Existing Rules Impact on Lenders to Comply – Record Keeping, Policies, Procedures, etc.

  With technology and advertising techniques rapidly evolving, regulations in these areas are not keeping up with the market and there is a lack in direction by the states. Stacey Valerio, Connecticut Department of Banking, reported that her agency has the ability to provide written guidance on issues which may be a good resource to have on file. Bob Niemi reported that in Ohio they are working on redefining how they classify

advertisements. Ohio is trying to follow the direction of the FFIEC guidelines which came out in December, to not add on onerous duties but to have a company policy on social media, employee monitoring program, an audit program, and provide parameters to provide useful feedback. Kirsten Anderson, Oregon Division of Finance and Corporate Securities, reported that her agency suggests having a company page, instead of a personal page for advertising purposes and stated that regulators often review social media sources such as Facebook to look for unlicensed activity.

7. **Samuel B. Morelli, Executive Vice President & Chief Compliance Officer**
   PrimeSource Mortgage, Inc.
   Amy Greenwood-Field
   Dykema

   - Timely Approval of Sponsorship Requests

     Sam Morelli reported that the issue of timely approval of sponsorship requests was discussed a couple months ago at the AARMR Advisory Council and continues to be an ongoing concern. Some agencies approve sponsorship within 24 hours while others may take weeks, during which the LO is essentially out of business. For dually licensed entities and LOs, sponsorships should be approved immediately when changing employers and the company should have the ability to allow the LO to work for them immediately. Additionally there is a lack in uniformity between jurisdictions in what happens to a license in between sponsors (i.e. the use of approved-inactive), how quickly sponsorship requests are approved, and the sponsorship's effective date. Rich Cortes from Connecticut noted that their staff reviews sponsorship change requests on a daily basis.

   - System Automation of Sponsorship

     Amy Greenwood-Field reported that the automation of sponsorship approvals would make it easier for industry and regulators in the case that the licensed LO is in an active status with no jurisdiction-set license items for outstanding requirements. Tim Doyle reported that resource constraints of agencies, the employment history section of an individual not being updated, and the commutable distance requirement of various agencies are a few of the main factors that hold up sponsorship request approvals. SRR is exploring ways to automate this process using these data points, while still enabling the agencies to control the process, but the distance requirement creates complications.

8. **Bill Cosgrove, Chairman, Mortgage Bankers Association**
   CEO, Union Home Mortgage

- MLO Testing for Federal Registrants

  As of January 1, 2015, 46 state mortgage agencies have adopted the UST (Uniform State Test), which the MBA supports. Uniformity helps build companies up. Bill Cosgrove urged the remaining state agencies to adopt the UST for uniformity. The MBA currently has a white paper out that supports testing for all LOs. Bill requested the states to support this initiative and to pass along such support to the CFPB and Congress. The MBA has an issue with LOs who attempted to take the tests, failed and now work for a federal institution.

9. **Andrew Hall, Compliance Division/Licensing Manager**
   Royal United Mortgage LLC
   Catherine Houston, Compliance Manager and Vice President
   Wells Fargo Bank NA

- Termination of MLOs for cause – Documentation of Reasons for Termination and Accessibility of that Information for Future Employers

  Andrew Hall reported concern with there being a comment box for employment termination that is not viewable to companies with individual account access. Following employment termination, a new employer that is granted individual access is unable to determine through the system the reason for the termination. Tim Doyle reported that this was under consideration during development but because this information may be unsubstantiated, there was a concern that it may not be backed up. The challenge exists is if there isn't a final order and/or the timing of that final order. The state regulators are the owners of the system and it would be up to those regulators to disclose information if appropriate.

- Related Issue: Is there a Standard for Timing of Posting of Regulatory Actions Against MLOs

  Catherine Houston reported a specific case where the bank hired an LO and then four months later, a regulatory action was posted in NMLS Consumer Access which would have affected the hiring decision. She expressed concerns that actions are not being posted on a timely basis and the importance of doing do. Cindy Begin, Massachusetts Division of Banks, reported that her agency uploads final orders as soon as they are served. Bob Niemi reported that once an order is final, it should be public, on the system and viewable via Consumer Access. Stacey Valerio reported that CT uploads final orders to their website and other agencies may be doing the same. Since not all states are currently posting Regulatory Actions in NMLS, companies should also refer to agency websites to view orders. Rod Carnes, Georgia Department of Banking and Finance,

reported that his agency uploads orders to NMLS immediately, but the process may take years. Until it's a final order, the licensee has certain rights afforded.

10. Rich Cortes, Principal Financial Examiner
Connecticut Department of Banking

- Review of Upcoming Proposed Changes to the MCR (Mortgage Call Report)

  Rich Cortes reported that in examining where risk comes from it was determined that the real risk lies with the lenders. We are exploring moving away from having the companies that designate that they are GSE approved as being the only ones that fill out the Expanded form version, and moving towards a dynamic form based upon business activities like lenders, brokers and correspondent lenders. Rich asked those in attendance to respond to this proposal when it goes out for public comment. We also are working on updating and improving the definitions and exploring the implementation of a mailbox for technical questions on the MCR, to be utilized by regulators as well. Rich welcomed any additional suggestions for MCR improvements.

- Feedback on Recently Adopted Changes

  Rich Cortes reported that new nationwide and state-specific servicing fields, additional fields to capture changes in loan amounts, the amount and count of closed loans that are classified as "Qualified Mortgages" (QM), and a revised definition of "application" have been incorporated into Version 4 of the MCR, for reporting on Q1 2015 data. The CFPB may come up with a revised definition of application and if it aligns with what the states need, we may be revising ours. The fields to capture changes in loan amounts will be available for reporting beginning Q1 of 2015, but not enforced until Q1 2016. Tim Lange reported that future enhancements to the MCR will be vetted by the MCR Working Group and the NMLS Policy Committee, and then we'll go out for public comment in a couple months. Rich reported that he has been getting a lot of questions regarding fields 1200 and 1210 with the word "intent." It's the intent at the time of filing. Adjustments are not necessary if it changes.

11. William Kooper, Associate Vice President of State Gov't Affairs & Industry
Mortgage Bankers Association

- Implications for Privilege of Information when Data is provided through the Mortgage Call Report and is then Available to State Agency's that do not Require that Specific Data (e.g. Servicing Information)

  William Kooper reported that the MBA is grateful for the delay in implementation of some of the changes to the MCR however a few MBA members have issues specifically

with servicing, because some states do not regulate servicers or collect servicing information and as this may cause a conflict in privilege rights. The MBA attorneys are conflicted by requiring servicing data on the MCR if it's not required by the relevant state regulatory agency. There needs to be clarity around this issue with privilege at jeopardy. Buz Gorman, General Counsel, CSBS, discussed the provisions contained in the SAFE Act that protect the privilege and confidentiality of any information or material provided to the NMLS which is shared by state and federal regulators with mortgage industry oversight. This would include any information submitted in connection with a mortgage call report. Buz Gorman reported that the SAFE Act is under the regulatory jurisdiction of the CFPB, and we will read the protections as broadly as possible until it's tested in the courts or alternatively defined by the CFPB.

All states require the collection of MCR data as called for by the NMLS and the state law where information is being collected is what governs the level of protection the information is given. Stacey Valerio reported that states need to ask of the information that they see, what do they own, and of that what can they produce? If a state is not an owner of the data, they cannot release and share it. Buz Gorman reported that over time the states have increased protections of the MCR data. Even though servicing data has always been included in the MCR, William Kooper expressed a need to continue this conversation.

Gorman also discussed a bill that CSBS is supporting in Congress that would expand those protections when the information is shared by any financial services industry regulators. (S. 372)

12. Costas Avrakotos
K&L Gates

- MLO Criminal Background Checks

Costas Avrakotos reported that some states have expanded upon the SAFE Act's restrictions on hiring MLOs with certain felony convictions. There needs to be protections in the workplace to ban the unfair treatment of employees with felonies, who are turned away because of a past record. If a company hires someone with a felony, the company may be operating out of compliance. There are issues with competing state laws on this topic in the case of a multistate entity. Rod Carnes reported that in Georgia this issue has nothing to do with the SAFE Act, but since the 1990s Georgia has precluded convicted felons from being associated with a mortgage company. The company has the option not to be licensed in Georgia to allow employment of these employees with felonies. As Georgia was at one time number one in mortgage fraud, the state is very careful to not repeat the past and change this law. There also hasn't been an appetite within industry to employ felons as it's difficult to distinguish between

"acceptable" felonies. William Kooper reported that this is a major issue with the MBA, especially for national companies, which is why the MBA is working to change this.

Additional Q&A

- Functional Specification for All NMLS Approved Courses

  Wendell Robinson from Quicken Loans reported that the new functional specifications for some NMLS approved courses is burdensome to industry, especially with regards to the new requirement of students completing an OIL (Online Instructor-led) course within a quicker window of time. Mr. Robinson claims the new specifications were not discussed at length and it impacts Quicken's ability to manage its training and licensing operations. The new specifications require Quicken to change its training model. Rich Madison, Sr. Director, Mortgage Education Programs, SRR, reported that OIL courses are supposed to be interactive but through time we've noticed that they've become more like online self-paced courses with little instruction engagement. The intent of shortening the offerings is to promote more student/instructor interactivity. In addition, it allows course providers to use their instructional resources more efficiently. Every year SRR updates the functional specifications based on course reviews, student feedback, and feedback from industry. These changes usually take place the first of the year since that's the date new courses are launched, however this year's implementation has been delayed due to industry concerns.