



NMLS Ombudsman Meeting
Hilton Austin
Austin, TX
Salon FG
8:30 am – 11:00 am (CT)
February 16, 2017

Agenda:

1. **Scott Corscadden, NMLS Ombudsman** Exhibit 1
Supervisor, Bureau of Loans, Alabama State Banking
Department
 - Ombudsman Update and Issue Review
2. **Rich Cortes, Principal Financial Examiner, Connecticut** Exhibit 2
Department of Banking
Haydn Richards, Partner, Bradley Arant Boult Cummings LLP
 - Licensing of Foreign Entities in NMLS and Verification
Processes for Foreign Control Persons
3. **Robert Niemi, Baker & Hostetler LLP** Exhibit 3
 - Results of Credit Reports Being Pulled Outside of NMLS
4. **Trish Lagodzinski, Compliance Director, Chartwell** Exhibit 4
 - Notification of Expiration and Record Deletions
 - MU1 Records Blocked by Pending MU2 Records
 - NMLS Call Center

- Provide a Grace Period and Detailed Guidance Regarding Comprehensive System Changes

5. Amy Greenwood-Field, Senior Attorney, Bradley Arant Boult Cummings

- Money Services Businesses Call Report Adoption Timeline Exhibit 5

6. Josh Weinberg, EVP Compliance, First Choice Exhibit 6

- Advance Change Notice Process
- ECOA Notice
- Order of Operations for CBC Process

7. Costas Avrakotos, Mayer Brown Exhibit 7

- Disclosure of All Commonly Owned Affiliates in NMLS

8. William Kooper, Vice President, State Government Affairs and Industry Relations, MBA

- Change of Sponsorship Timelines

9. Mortgage Call Report Update

10. Open Discussion



**NMLS Ombudsman Meeting
2017 NMLS Conference & Training
Hilton Austin, Austin, Texas
8:30 a.m. – 11:30 a.m. Central Time
February 16, 2017**

I. SUMMARY OF NMLS OMBUDSMAN ISSUES

The NMLS Ombudsman received 53 unique emails between July 26, 2016 and February 2, 2017. The Ombudsman reviews all submissions and either responds directly or refers the question to SRR staff. Many of the questions are answered by referring the individual to: (1) a specific state regulator; (2) the NMLS Call Center; (3) the NMLS Resource Center; or (4) the appropriate federal regulator/CFPB.

Sample issues that are received in the Ombudsman mailbox included:

- General licensing renewal inquiries
- General System enhancement and usability proposals
- NMLS Account assistance
- SAFE MLO Test result appeals
- Submit and Attest Issues
- NMLS Consumer Access data interpretation
- Requests for state regulator contact information
- CE and PE requirements
- Request for NMLS security information
- Mortgage Call Report reporting and submission questions
- Questions on state licensing laws
- Fingerprint and Criminal Background Check requirements

II. OMBUDSMAN MEETINGS/OUTREACH

In addition to the two public annual meetings at the NMLS Annual Conference and AARMR, the Ombudsman attends annual meetings of state regulatory groups such as NACCA, NACARA and MTRA.



NMLS Ombudsman Meeting

Licensing and Supervision of International Entities and Locations

February 16, 2017

Haydn J. Richards, Jr., Bradley

Rich Cortes, Connecticut Department of Banking

Rich Cortes – Connecticut Department of Banking, Consumer Credit Division

Key Points

Individuals:

1. I must be able to obtain credible credit report information for all MLO and MU2 candidates from an independent recognized credit reporting agency.
2. I must be able to obtain credible criminal history information directly from an independent authorized police agency (Interpol, etc.) for all MLO and MU2 candidates.
3. I must be able to make conclusions on an individual's character and fitness.

Companies:

1. I must obtain a complete list of MU2 individuals all the way up the ownership line to the ultimate owners or individuals in control of the company. CT measure of control is 10% or more beneficial ownership. Each of the MU2 individuals must meet the requirements for criminal history and financial responsibility.

Rich Cortes – Connecticut Department of Banking, Consumer Credit Division

Key Points

2. We must be sure that we are not funding terrorism by providing a legal means of making money.
3. We must be sure we are not enabling money laundering by providing a legal entity through which to accomplish the task.
4. Examinations of a foreign based Company or Individual is problematic:
 - a. We have no authority outside the U.S. border.
 - b. We have no police protection outside the U.S. border.
 - c. There is a high potential for unknowingly violating the laws of another country in the normal course of our work.
 - d. There are parts of the world where it is too dangerous for us to go.
 - e. A language barrier would significantly hamper our ability to do our job.

Haydn Richards - Bradley

Key Points

- Historical trend of the last decade is towards globalization of operations.
- Financial institutions that are not subject to licensing frequently use overseas resources to achieve cost savings.
- Regulatory agencies that supervise domestic entities that have onshore and offshore operations (or which have affiliates that have such operations) may wish to consider those entities in a different light than those that exclusively have offshore operations.
- Industry maintains concerns that certain state regulatory agencies are making a “result oriented” decision in concluding foreign entities or foreign locations may not be licensed rather than decisions grounded in applicable law.

Haydn Richards - Bradley

Goals

- Educate regarding the scope of activities that typically will be outsourced and the security measures that are put into place to safeguard consumer information.
- Identify common benchmarks that license applicants can address so as to facilitate the licensing process.
- Identify permissible activities that may be conducted without licensure in those jurisdictions that will refuse to allow foreign entities or branch locations to conduct business.
- Continue and expand a full and fair dialogue on the issue between industry members and the regulatory agencies.

BakerHostetler

Baker & Hostetler LLP

Capitol Square, Suite 2100
65 East State Street
Columbus, OH 43215-4260

T 614.228.1541
F 614.462.2616
www.bakerlaw.com

Robert S. Niemi, CMB
direct: 614.462.2665
mobile: 614.565.5901
rniemi@bakerlaw.com

February 3, 2017

VIA ELECTRONIC MAIL

NMLS Ombudsman
c/o Mary Pfaff
Senior Director Policy
Conference of State Bank Supervisors
(202) 728-5748
Mpfaff@csbs.org

Re: *Ombudsman Topic for Discussion*

Dear Mr. Corscadden:

Thank you for considering my topic for the February 2017 NMLS Ombudsman meeting in Austin, Texas. As we discussed yesterday, a number of clients and industry contacts have asked about the impact of credit scores during the licensing process.

When regulators run a separate "Hard Credit Reports" on the executives of the companies when a new lender license application is filed some have seen a negative impact on their credit score. This appears to be in addition to the report that is pulled through NMLS. We know that separate background checks were being completed outside of the NMLS process due to FBI restrictions, but unaware if such issues were also relative to credit reports. This would be for a mortgage license type that is on NMLS for that regulator where the license application has been filed.

Are regulators pulling separate credit reports in addition to credit channeled through NMLS? We understand that a full report and review is required, but would a soft credit pull accomplish the same purpose? What states are requesting separate credit reports in addition to the NMLS coordinated report as part of the system licensing process? I would request feedback at the meeting from states that do require a separate credit report, if any. Please feel free to contact me at rniemi@bakerlaw.com prior to the meeting with a question or resolution.

Thank you for consideration of the topic and I look forward to the conference in Austin.

Sincerely,



Bob Niemi, CMB
Regulatory Compliance &
Licensing Senior Advisor

Atlanta Chicago Cincinnati Cleveland Columbus Costa Mesa Denver
Houston Los Angeles New York Orlando Philadelphia Seattle Washington, DC



Scott Corscadden, NMLS Ombudsman
State Regulatory Registry LLC
Conference of State Bank Supervisors
1129 20th Street, NW
Washington, DC 20036

February 1, 2017

Dear Scott,

Thank you for the opportunity to participate in the Ombudsman meeting at the 9th Annual Nationwide Mortgage Licensing System and Registry (NMLS) conference on February 16th in Austin, Texas.

I would like to bring the following issues to the attention of the Ombudsman:

Notification of expiration and record deletions

Recently, two of our client companies had their MU1 company records and all MU2 records for the Executive Officers, Directors and control persons deleted due to the fact that the application had not been submitted within 180 days. The records were not dormant and both companies were uploading and updating information while actively preparing to submit the money transmitter license applications.

The MU1 records were missing some key elements for the applications and the companies needed more time to obtain the state requirements. For example, the bank account for the money services business (MSB) was in process and it typically takes more than 180 days, or 6 months, to obtain. Most MSBs have great difficulty receiving approval for a bank account, with banks de-risking themselves of MSB accounts due to regulatory and other pressures. States generally require an active MSB bank account in the application and some states will reject an application that only have a pending MSB bank account.

Creating MU2 records for all officers and directors, setting up fingerprinting, and completing attestations is time consuming. In addition, obtaining audited financial statements, creating financial projections, and gathering state-specific requirements for new companies is also very time consuming and has contributed to delays in submitting applications.

Once an MU1 or MU2 record is deleted it is not possible to get the information back, and it is very onerous on a company. Besides an email notification that the company record will be deleted within 30 days, there is no other way for administrative users and/or users to know how much time is remaining before a record is deleted. If the dashboard would show this information, it may help a company better plan and manage their NMLS record when the file is getting close to the 180-day deadline and about to get deleted. In addition, it would be extremely helpful if NMLS had an archive feature so that the applicant could save the MU1 and MU2 record information and the IDs to protect the time consuming

efforts that go into the building the records.

NMLS users that have no U.S. Social Security Number (SSN)

International companies that have Executive Officers, Directors or Control persons without U.S. Social Security Numbers sometimes take several weeks to be get on boarded. We follow the NMLS guidance and communicate with NMLS via the encrypted e-mail option, but we still generally have wait times of two weeks or more for a login and password.

Some issues have arisen for key individuals who went to college or spent time in the United States and had a Social Security number. There is a misconception that Social Security numbers expire. We request that international officers indicate whether or not they have ever had a Social Security number to avoid delays and confusion.

In addition, the credit report process in NMLS is designed for key individuals with a social security number, so we generally work state by state to work through the credit report requirements. Automation of the onboarding process for international officers, or more standardized guidance for the nuances for those with/without an SSN, would be helpful.

MU1 records blocked by pending MU2 records

Separating the MU1 records from the MU2 records would help compartmentalize various types of filings. It would make the filing process smoother if the MU1 record could be attested and filed without delays from the MU2 records. In addition, it would help if the Advanced Change Notices would also be separated so that the ACNs will not impact the other filings, renewals, transitions, and submissions (and vice-versa).

There have been instances where a director has an MU2 in 2 different companies. If the first company is submitting a filing, it “blocks” the MU2 record from being submitted by the second company. Generally, the second company needs to wait until the filing is completed, which is difficult when it is a completely different company.

NMLS Call Center

It would help resolve questions more effectively if there was a clear escalation procedure to a second tier, or a technical specialist, when you have a complex question for the NMLS Call Center. Currently, there is an option for state licensing related topics on the call center menu; however, there is often a wide range of knowledge and experience among the customer service specialists.

A clear second tier escalation process may help resolve questions more expeditiously. We would suggest especially having a technical specialist for specific requirements such as Criminal Background Checks (CBC), Advanced Change Notices (ACNs), and international officers, for example.

Provide a grace period and detailed guidance when there are comprehensive changes in NMLS

The broad-based changes in NMLS in September 2016 were difficult and expensive for license applicants and licensees. It would be helpful if the state offered a grace period for changes in NMLS, similar to grace periods sometimes given for compliance with new legislation. Improved guidance regarding the CBC process, particularly in dealing with Fieldprint for International Officers would help in the transition process.

Include the company NMLS number in all system-generated e-mails

In particular, the following message does not provide enough record-specific information:

One or more Individual (MU2/MU4) Filings submitted by your company have been processed by NMLS. To view details of the filings, please login to NMLS and view Historical Filings in the Composite View tab.

In addition to adding the NMLS number, if emails can clearly state the changes made under a filing, it would be extremely helpful for licensees and applicants.

Allow employees or individuals to share the pending renewal processing

Company procedures often state that one employee starts the renewal and another employee reviews and attests. Unfortunately, with changes in this past renewal season, this is no longer possible and it may force the NMLS Administrator or only one individual to request and complete the entire renewal.

Offer a completeness check for all submissions and redlines or summary of changes in the attestation page.

If there is a completeness check and redlines/summary of changes with each attestation, it might reduce errors in the filing. A summary of changes with redlines will provide the officer attesting to the filing a chance to review of all items that have been modified in the record.

Historical Filings that show the exact document upload beyond the fields in the MU1.

If historical filings could show the full documents that were uploaded with each iteration of filing as well as the changes made from the previous filing, this would be helpful to companies and employees concerned with “version control.”

Please let me know if you have any questions about our suggestions. Thank you again for allowing me to participate in the Ombudsman meeting at the upcoming NMLS Conference.

If you have any questions or concerns, please contact me at (301) 461-6483 or trishlagodzinski@chartwellcompliance.com.



Sincerely,
Trish Lagodzinski
Compliance Director

Amy Greenwood-Field

Senior Attorney
afield@bradley.com
202.719.8238 direct



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

RE: February 2017 NMLS Ombudsman Meeting Topics

Dear Mr. Corscadden:

I would like to submit the following topic for discussion during the upcoming February 2017 NMLS Ombudsman Meeting in Austin, Texas: Concerns Surrounding MSB Call Report Adoption Timing.

Concerns Surrounding MSB Call Report Adoption Timing

NMLS currently acts as the system of record for 36 jurisdictions involved in some aspect of money services business licensing. We are encouraged by the number of jurisdictions that have already adopted and look forward to additional agencies joining the system. As additional jurisdictions sign on, we are hopeful that more uniformity in reporting requirements can be reached on a nationwide basis.

It is our understanding that the NMLS MSB Call Report will become active in the system in the first quarter of 2017, with the initial report due May 15, 2017, 45 days after the first quarter end for the 18 state agencies that have announced adoption. A Q1 report is expected to contain data collected with respect to licensable activities occurring in the adopting jurisdictions between January 1, 2017, and March 31, 2017. Required quarterly reporting includes company level financial condition items, company-wide transactions detail, state transactions detail, and permissible investments reporting. Note that with the requirement for company-wide transaction detail a company licensed in one or more of the adopting states must be able to collect company-wide data for submission. Annual requirements, which apply to licensees engaged in foreign money transmission activity, include information regarding all foreign transactions completed during the entire calendar year at a company-wide and state level.

Of concern is the fact that NMLS had not provided final XML and data specification files until after January 1, 2017. Companies were not afforded the opportunity to familiarize themselves with finalized data specifications prior to the necessity to collect such data. Not having the complete set of finalized data points in hand well in advance of January 1, 2017 additionally created a challenge in being prepared to accurately prepare internal systems to collect the necessary data points for transactions occurring as of January 1, 2017. While certainly licensees had processes in place to collect data points for previously required hard copy state-specific reporting, those data points do not necessarily exactly match the currently requested set for the MSB Call Report filings.

It is possible, given the timing of the Ombudsman meeting on the NMLS Annual Conference schedule, along with the posted sessions expected to be held surrounding MSB Call Report Training as well as providing a general overview of the MSB Call Report, that the issue will have already been addressed prior to this topic being discussed on the Ombudsman agenda. However, I would urge adopting states to contemplate issuing formal written statements or adopting temporary policies that allow for late and/or incomplete company filings without penalties being assessed while companies prepare their systems to accurately collect the data points requested.

I look forward to visiting with you about these issues at the upcoming meeting.

Best regards,



Amy Greenwood-Field
Senior Attorney

2/2/2017

Joshua Weinberg
EVP Compliance
First Choice Loan Services Inc.

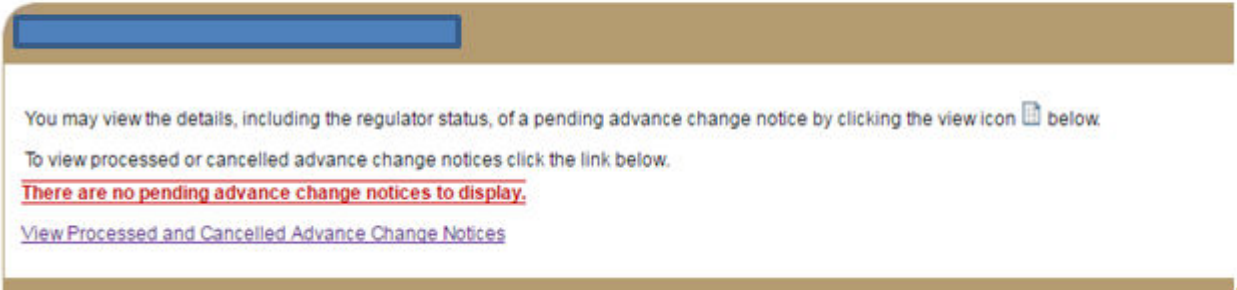
Mary Pfaff
Senior Director Policy
CSBS


Hi Mary!

Thank you for the opportunity to share a couple of topics for the Ombudsman's meeting.

- 1) ACN process – Industry needs better visibility into the status, completion and information from the Regulator's side. After submitting the ACN some states take action and updates status, others do nothing, and others just use license items to communicate around the ACN. Once the effective date passes, the ACN is not even visible from the Home page or other areas, without digging into each particular ACN, and then there's usually no information or status to see. Screenshots below to help illustrate this point.

Advance Change Notices



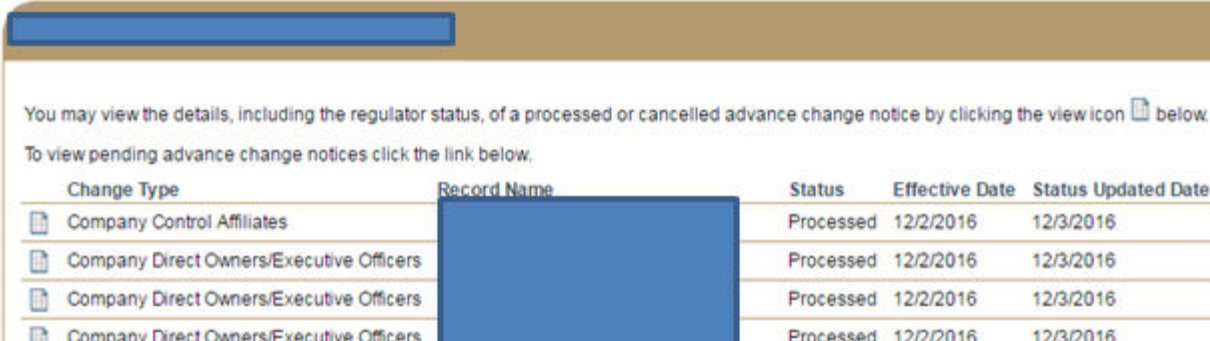
You may view the details, including the regulator status, of a pending advance change notice by clicking the view icon  below.


To view processed or cancelled advance change notices click the link below.

There are no pending advance change notices to display.









[View Processed and Cancelled Advance Change Notices](#)

Advance Change Notices



You may view the details, including the regulator status, of a processed or cancelled advance change notice by clicking the view icon  below.

To view pending advance change notices click the link below.

Change Type	Record Name	Status	Effective Date	Status Updated Date
 Company Control Affiliates		Processed	12/2/2016	12/3/2016
 Company Direct Owners/Executive Officers		Processed	12/2/2016	12/3/2016
 Company Direct Owners/Executive Officers		Processed	12/2/2016	12/3/2016
 Company Direct Owners/Executive Officers		Processed	12/2/2016	12/3/2016

Advance Change Notice Detail

Advance Change Notice Details

Below are the details for the Advance Change Notice. Click the link below to compare the filing where the change

Change Type: Company Control Affiliates

Record Name: [REDACTED]

Status: Processed

Status Updated Date: 12/3/2016
















Effective Date: 12/2/2016

Created Date: 10/14/2016

[View Change Notice Detail](#)

Regulator Information

Below are the current statuses and comments from relevant regulators. You may view history for a specific regula

Regulator	Regulator Status	Comments	Updated Date	Updated By
 Alabama	Approved		10/25/2016 3:18:41 PM	FarthinHE
 Arizona	New		10/14/2016 3:12:35 PM	System
 California - DBO	New		10/14/2016 3:12:35 PM	System
 District of Columbia	Approved		11/1/2016 11:42:12 AM	MooreT5
 Illinois	New		10/14/2016 3:12:35 PM	System
 Massachusetts	New		10/14/2016 3:12:35 PM	System
 Maryland	New		10/14/2016 3:12:35 PM	System
 Maine	New		10/14/2016 3:12:35 PM	System
 Michigan	New		10/14/2016 3:12:35 PM	System
 Minnesota	New		10/14/2016 3:12:35 PM	System
 North Dakota	New		10/14/2016 3:12:35 PM	System
 New Hampshire	New		10/14/2016 3:12:35 PM	System
 New Jersey	New		10/14/2016 3:12:35 PM	System
 New Mexico	New		10/14/2016 3:12:35 PM	System
 Nevada	New		10/14/2016 3:12:35 PM	System

- 2) ECOA Notice – Who should the Regulator be for consumer contact? Will states accept more than one agency listed? NH has stated that we need to list FTC, despite our prudential regulator being FDIC. FDIC confirms we must list them. NH said we could list both, but that is not covered by Appendix A and I don't think that's consistent with other state's requirements and I think would cause an issue in exam from other states.

- 3) Order of Operations for CBC - CBCs for federally registered MLOs trigger a notification to their current employer when they give a potential new employer access to run their CBC. This often results in the current employer terminating the employee, but prior to the new employer agreeing to move forward. That leaves a real and actual problem where an MLO could lose a job and not be able to get a new one. I know this issue isn't new and is related to the FBI approval/verification process, but I think it's an area important to improve.

Please let me know if any additional information, clarification or detail would be helpful for any of these points.

Thanks and warm regards,



JOSHUA WEINBERG
Executive Vice President | Compliance

jweinberg@fcloans.com

D: 732.851.1811 | **O:** 732.536.3330 x.5048 | **F:** 888.881.2315

A: One Tower Center, Floor 18, East Brunswick, NJ 08816

W: www.fcloans.com



First Choice Loan Services Inc.
A Berkshire Bank Company

First Choice Loan Services Inc. – NMLS# 210764
Berkshire Bank – NMLS# 506896

MAYER • BROWN

Mayer Brown LLP
1999 K Street, N.W.
Washington, D.C. 20006-1101

Main Tel +1 202 263 3000
Main Fax +1 202 263 3300
www.mayerbrown.com

Costas A. Avrakotos
Direct Tel +1 202 263 3219
Direct Fax +1 202 263 5317
cavrakotos@mayerbrown.com

February 1, 2017

Scott Corscadden
Ombudsman, NMLS
c/o Conference Of State Bank Supervisors

Re: Disclosure of Affiliates

Dear Mr. Corscadden:

We have raised different issues related to the MU1 affiliates/subsidiaries reporting obligation in the past. As we do not see that the issues we raised have been addressed or sufficiently vetted, and as a number of our clients have never stopped raising questions as to why they must disclose commonly owned affiliates in the Nationwide Multistate Licensing System ("NMLS"), we thought it would be beneficial to bring this to the attention of the Ombudsman, the SRR and the Working Group, and all in attendance at the Conference. Moreover, with the NMLS being in effect for over eight years, we also thought it would be appropriate to again raise this issue, as state agencies may have a better sense of whether there is a need to continue with this disclosure obligation when NMLS 2.0 is developed.

For reference purposes, and for those NMLS Account Administrators for companies or businesses new to the NMLS, the MU1 Affiliates/Subsidiaries section directs an applicant or license to identify its affiliates and subsidiaries and provide some basic information about its affiliates or subsidiaries. The NMLS Guidebook provides that: "Applicants and licensees must identify each entity under common ownership (affiliate) and each entity under control (subsidiary) that provides financial services or settlement services." (For purpose of this letter, this "affiliates under common ownership disclosure" will be referred to as the Affiliates Disclosure.)

From our perspective, the MU1 obligation to identify all commonly owned affiliates of an applicant or licensee is unnecessary. Below, we discuss some of the questions that have been raised, and the concerns we see, as to the necessity of the Affiliates Disclosure

1) Why was this Disclosure Included as Part of the MU1?

Prior to the advent of the NMLS, very few states required an entity to identify all of its commonly owned affiliates. We do not believe many, if any, state mortgage finance licensing statutes imposed this requirement before 2008. We do not believe SRR, the CSBS Administrators of the NMLS, or state regulatory agencies ever identified the genesis of this requirement, or the information that was expected to be gleaned from the Affiliate Disclosure. We always assumed that for this disclosure obligation, some purpose was identified, or one or

February 1, 2017

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more states required this information, and thereby it became embedded in the NMLS. It would be good to know if that was the case, and even more worthwhile to know if the Affiliates Disclosure has achieved its intended results.

2) This NMLS Affiliate Disclosure Obligation is Badly and Ambiguously Worded.

The NMLS Policy Guidebook provides that “[a]pplicants and licensees must identify each and every entity under common ownership (affiliate) and each entity under control (subsidiary) that provides financial services or settlement services.” The NMLS Policy Guidebook further states that for the section on identifying the “Control Relationship—identify whether the entity is under common ownership (affiliate) or under control (subsidiary) of the applicant or licensee.” Therefore, an affiliate is based on a determination of ownership, but a subsidiary is based on control. Why the distinction? No numerical percentage of ownership or control is identified for purposes of determining the affiliates under common ownership.

The Guidebook does not provide any guidance, but raises more questions. Affiliate is a defined term in the Glossary section of the Guidebook, and it means “an organization that is under common control with the applicant.” The term subsidiary is not defined. Questions have been raised as to why affiliate is defined by ownership in one part of the Guidebook, but by control in another part of the Guidebook? Should licensees take this to mean that the term affiliate for purposes of the Affiliates Disclosure is now based on control and not ownership, or are two different definitions of affiliate intentionally being used: one for the MU 1 question to report affiliates under common ownership, and a separate definition for all other situations where affiliate is used. Here, as above, no numerical percentage is used to determine an affiliate by ownership or control. Licensees are again left wondering as to the percentage of common ownership, or perhaps control, that must exist for an applicant or licensee to be considered an affiliate of another entity?

The Guidebook provides little clarity as to the percentage of ownership that determines an affiliate. Ownership is not defined in the Guidebook, but, of course, the term control is defined. If we use the definition of control, as found in the Guidebook, which has seeped into many state licensing laws, a 10% test serves as the numerical basis by which to determine control, and therefore, an affiliate. Questions have been raised as to whether this definition of control should be the test for determining an affiliate. In other sections of the Guidebook, when the Guidebook’s definition of control is intended to be used, the Guidebook specifically provides such direction (as in control person) or the term control is italicized (as in the definition of control affiliate). For purposes of the Glossary’s definition of affiliate, control is not so designated. Therefore, as the definition of affiliate does not specifically require the applicant or licensee to rely on the definition of control in the Guidebook, it seems reasonable to conclude that for purposes of defining “common control” in the Glossary’s definition of affiliate, a 10% or more test should not be used.

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For purposes of federal banking law, and many state banking or licensing laws, the definition of affiliate is based on a 25% or more test. The NMLS is not intended to replace the underlying state laws, so it is not unreasonable to use a 25% or more test to determine affiliate where the state's banking code use a 25% or more test. Moreover, when adding the indirect owners to a licensee's MU1 Account Record, a 25% or more test is used to determine an indirect owner. Therefore, using a 25% or more test to determine an affiliate is perfectly compatible with the NMLS. Given the ambiguity of the requirement and the terms used, we would not be surprised if licensees were using different test to determine an affiliate. Some licensees may be defining an affiliate on the basis of ownership, and others on the basis of control. Some licensees may use a 25% or more test, while other may use a 10% or more test.

3) Much of the Information Provided by Affiliates Under Common Ownership is Provided Elsewhere.

For purposes of identifying the indirect owners of a licensee, the 25% or more owners at each level of ownership are identified. Therefore, repeating those entities as affiliates under common ownership is unnecessary. Because the test for indirect owners is based on a 25% or more ownership test, it should be used whenever discussing affiliates. Moreover, if an affiliate of an applicant or licensee in the chain of ownership (*e.g.* a control affiliate) or any subsidiary of an applicant or licensee, has been convicted of a crime, violated a financial services-related statute or regulation, or been the subject of certain civil suits, the entity and the matter would need to be identified in the NMLS. Therefore, the most significant concerns associated with an affiliate closest to the licensee would be revealed in other NMLS-related disclosures.

4) Only Limited Information is Required of the Commonly Owned Affiliates

If an affiliate has no record in the NMLS, then only the name, the address, the relationship to the applicant or licensee, and business line must be disclosed. Very little is learned of the affiliates of an applicant or a licensee given this question. Of what significance is such limited information of an affiliate of a licensee for purpose of determining whether to issue a license to an applicant or renew a license for a licensee? State regulators do not pass judgment on the parties with whom the applicant or licensee is affiliated. Perhaps it has happened, but in all of the years in which we have been doing licensing work, we have never heard of an applicant for a license being denied a license because a commonly owned company, not in the chain of ownership, had sanctions against it. Yes, we have heard of an applicant being denied a license because the parent company of the applicant had a long list of mortgage finance litigation or regulatory sanctions, but such information regarding a direct or indirect owner of a licensee would be revealed independent of disclosing commonly owned affiliates. So, again we ask, what purpose is served by requiring an applicant or licensee to report all commonly owned (or perhaps controlled) affiliates?

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5) Keeping this information Up-to-date is Unnecessary and Takes Time Away From Fulfilling Other State or NMLS Requirements.

Each time a commonly owned affiliate in the business of providing financial or settlement services is created, purchased or sold, or each time the address, name, or relationship of the affiliated entity changes, the Account Administrator or a Control Person must make the appropriate filings in the NMLS, and make the attestation in the NMLS. This leads to unnecessary attestations to attest to insignificant changes for NMLS purposes. To what extent do state regulators review this information? Are such updates even reviewed? If so, what is the basis by which a deficiency would be posted in connection with an update of this affiliate information?

6) Information on Commonly Owned Affiliates is not Readily Known or Available to an Applicant or Licensee

For smaller companies, reporting and keeping track of commonly owned affiliates may not be a burdensome task. However, for larger companies, which may be a one of scores, if not of hundreds, of companies in a global network of affiliated companies under the common ownership of a multinational company, identifying, tracking, and reporting on changes on such commonly owned affiliates for purpose of establishing an applicant's Account Record, or keeping the licensee's Account Record up-to-date, is not easily achieved. A licensee in the United States may not know of affiliates engaged in financial services or settlement services activities in other parts of the world, let alone know of any reportable changes in the affiliates.

7) An Advance Change Notice Filing Must be Made in the NMLS to Add or Drop an Affiliate

We always have questioned why an Advance Change Notice filing must be made to add or drop an affiliate from the MU1. Some states require the Advance Change Notice to be filed 15 to 60 days in advance of adding or dropping an affiliate. Is there any state mortgage financing statute that ever required a licensee to provide advance notice when a parent holding company adds or extinguishes a subsidiary, which would be an affiliate of a licensee. We doubt the parent company will determine its timing based on the licensee needing to provide advance notice to state regulators of this change. Has any regulator ever sanctioned a licensee because an affiliate was added by the parent company without notice being provided by the licensee to its state regulators?

8) Requiring Licensees to Report on Affiliates Unintentionally Leads to False Attestations

Every time a filing is made in the NMLS, the Account Administrator or a Control Person must make a certain attestation, that "to the extent any information previously submitted was not amended, such information remains accurate and complete," in addition to the other

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certifications to which the person must attest. Even if no changes are known to have been made to the affiliates of a licensee under common ownership, the attestation attests that the affiliates have not changed. For some licensees, there may be no time, opportunity or pathway to investigate if affiliates engaged in financial or settlement services were changed. To have the known and reportable changes in the NMLS take effect, such as changes in the ownership, control persons, or disclosure answers, an attestation must be made which affects the Affiliates Disclosure. There may be no design, desire or decision to make an attestation that could be inaccurate, but for the business to continue to operate without interruption when changed information is reported in the NMLS, the attestation must be made. It should not be a surprise that this could unintentionally result in the making of a false attestation.

9) What Purpose is there for this Question?

We fail to see what purpose is served by the Affiliates Disclosure, or what value it provides to state regulators in determining whether a license should be issued or renewed. As indicated in my introduction, the NMLS has been in effect for over eight years, and by now, the state agencies should have a better sense of the need to continue with the Affiliates Disclosure, and the purpose it serves. If there is value in determining whether to license an entity by obtaining this information that outweighs the trouble of providing it and keeping it current, then please let us know. If there is little value or this information is rarely considered when licensing a company, then this affiliate question should be discontinued, or modified to obtain the significant information and minimize the burden of continuing to answer the question.

10) If this “Affiliates Under Common Ownership Disclosure” Must be Kept, Then Limit its Reach

When the NMLS was first introduced to the world, applicants and licensees only had to identify each affiliate or subsidiary that provided settlement services. Soon thereafter, the Affiliates Disclosure was broadened to reach affiliates providing financial services well as settlement services. If the Affiliates Disclosure must be retained, then limit the question to (i) a set number of affiliates under common ownership, (ii) affiliates licensed or chartered under state or federal law, (iii) affiliates conducting financial or settlement services in the United States, or (iv) affiliates wholly owned by the company that owns the licensee.

* * *

The good folks in the New Hampshire Department of Banking issue a memorandum on January 31st that speaks to our suggestion related to the Affiliates Disclosure. In the January 31st Memorandum, Governor Sununu requested that all agencies “review each and every regulation under the Agency’s jurisdiction.” The Governor’s Memorandum identified five tests against which all New Hampshire regulations are to be evaluated, including that (i) there is a clear need

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for the regulation, (ii) its costs do not exceed its benefits, and (ii) the “regulation is the least restrictive or intrusive alternative that will fulfill the need which the regulation addresses.” Each test is noteworthy and merits consideration. We recommend that it be read by all in attendance and that it serve as the benchmark against which to develop a new and improved NMLS 2.0.

Sincerely,



Costas A. Avrakotos



GERALD H. LITTLE
BANK COMMISSIONER

INGRID E. WHITE
DEPUTY BANK COMMISSIONER

Exhibit 7

State of New Hampshire

Banking Department

53 Regional Drive, Suite 200
Concord, New Hampshire 03301

Telephone: (603) 271-3561

FAX: (603) 271-1090 or (603) 271-0750

January 31, 2017

To: All New Hampshire Banking Department Chartered Institutions & Licensees

Earlier this month Governor Sununu requested that all departments of State government, "review each and every regulation under the Agency's jurisdiction that is currently proposed or that is published in the New Hampshire Code of Administrative Rules..." to see if they are mandated by law" or "...essential to the public health, safety or welfare."

The New Hampshire Banking Department (NHBD) is not currently proposing any new rules, but we do have many of them published in the Code of Administrative Rules so we are in the process of performing the requested rule-by-rule review. We are to determine if:

- a.) There is a clear need for the regulation that is best addressed by the Agency and not another Agency or governmental body;
- b.) The costs of the regulation do not exceed the regulation's benefits;
- c.) The regulation is the least restrictive or intrusive alternative that will fulfill the need which the regulation addresses
- d.) The regulation does not unduly burden the State's citizens or businesses, and does not have an unreasonably adverse effect on the State's competitive business environment; and
- e.) The effectiveness of the regulation can be reasonably and periodically measured, and that there is a process in place to accomplish the same.

The Governor's request asks us to seek public comment on our rules, which is the goal of this letter. I am asking you to review the New Hampshire Banking Department rules and let us know of any you feel do not meet the five tests outlined above and, if so, why. Please be sure to reference in your written comments which of the five tests you feel the rule fails to meet.

Please note that we are not reviewing Federal rules and regulations. Our project is limited to the state-level rules known as "BANs" in the New Hampshire Code of Administrative Rules. Reference Link to rules may be found here: http://www.gencourt.state.nh.us/rules/state_agencies/ban.html

We are required to submit our completed report to the Governor and Executive Council, Senate President, Speaker of the House and the Chairs and Vice Chairs of the Joint Legislative Committee on Administrative Rules no later than March 31, 2017. That is a short deadline for such a large project.

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Bank Commissioner

Given that we intend to consider all replies but will need to do so and still meet the report deadline, we will be accepting written comments only for the entire month of February. Please send them to my attention at the address on this letterhead.

Sincerely,

A handwritten signature in dark ink, appearing to read "Gerald H. Little", with a stylized flourish at the end.

Gerald H. Little