

NMLS Ombudsman Meeting
New Orleans Marriott
New Orleans, LA
Salon A-E

8:30–11:30 a.m. (CT)

February 9, 2018

The NMLS Ombudsman, Scott Corscadden, called the meeting to order at 8:35 a.m.

1. NMLS Ombudsman Update

Scott Corscadden, NMLS Ombudsman

Supervisor, Bureau of Loans, Alabama State Banking Department

Mr. Corscadden reported 74 emails had been received from August 1, 2017 through January 31, 2018. The emails are reviewed by the Ombudsman who either responds directly to the submitter or refers the question to SRR staff. Many of the questions are answered by referring the individual to: the SRR Regulatory User Group (RUG); NMLS Call Center; the NMLS Resource Center; a specific-state regulator; or the CFPB. None of the emails received contained any query or issue that rose to the level of needing further policy review by the NMLS Policy Committee. The subject of the emails vary greatly in specifics, but fall into the general categories of: license application submission; annual renewal; consumer complaints; MLO test issues; system log-in issues; specific state questions; and system navigation and functionality. Twenty-three emails required SRR research to be performed by SRR on information supplied to callers from the call center, five emails were referred to the Testing Department for review and follow up, 19 emails were referred to the appropriate state agency, and the Ombudsman responded directly to 27 additional emails. These inquiries typically concerned NMLS policy issues such as issuance of NMLS Unique IDs, system security policies, or process for criminal background checks (CBCs).

Mr. Corscadden also updated the group on several issues that had been discussed at the Ombudsman meeting during the 2017 AARMR conference:

License Sponsorship Change Times: The NMLS Policy Committee discussed this topic extensively during their September 2017 meeting and concluded that aggregate (national) data is the most appropriate information to be made available publicly. The Committee determined that state-specific data should not be published due to variances in state agency's processes, rules and requirements, and the numbers for each state may not be suitably comparable. For the development of NMLS 2.0, the Steering Committee and SRR are looking to drive efficiencies through a more common work process for license and sponsorship approvals. For sponsorships requested in 2017, the average number of days that it took a regulator to accept a sponsorship request was 7.1. The median number of days was one. Thirty-eight states have a median turn time of one day or less.

Licensing of Foreign Entities: In NMLS 2.0, foreign nationals will be provided with a targeted account creation process that will provide fields specific to their situation and allow submission of supporting documentation necessary to process their request. This process will be driven by the individual's lack of a Social Security Number or their inability to validate a newly acquired Social Security Number. Foreign national users will not go through the automatic data verification and user authentication process. Instead, their account creation request will be submitted as a support request and will be manually reviewed and approved by a support user. The account creation request will include the passport number, passport issue and expiration dates, ITIN number, National ID number and applicable supporting documentation. This enhanced feature will allow foreign nationals to be verified and to capture all necessary information directly in NMLS. During the last Ombudsman meeting, Rich Cortes, Connecticut Department of Banking, and Haydn Richards, Bradley, informed attendees that AARMR has approved a working group of regulators and industry to determine possible solutions to the issues surrounding verification and validation of foreign company applicants and control persons. Mr. Cortes will be holding an initial working group conference call on February 21, 2018.

Mortgage Call Report (MCR) Update: The 60-day public comment period on the proposed changes to the MCR began February 1, 2018. The request for comment can be found on the [NMLS Resource Center](#). The new version of the MCR is projected to become available for the 2019 First Quarter reporting period. Comments must be submitted via email to comments@csbs.org or by mail to the address indicated in the request for comment. Mr. Cortes, Chair of the MCR Working Group, informed those present that the MCR has been revised to eliminate redundancies, add new technology, remove references to commercial activity, and restructure the look of the Financial Condition portion. Three public meetings were held concerning requests for comment. A new supplemental form was added for state use, and going forward, business activity will be used instead of the expanded form. Costas Avrakotos, Mayer Brown LLP, inquired about the availability of the supplemental form. Mr. Cortes said that it would be available to all states, but that he did not have specifics yet on the form's functionality. He noted that past due schedules would be included. Mr. Avrakotos questioned why the form would be made available to all states. Mr. Cortes said that that decision would need to be made by attorneys.

2. NMLS 2.0 Emerging Issues

Tim Doyle, SRR

Mr. Doyle began his discussion with a follow-up to the group decision making exercise performed earlier in the week. He went on to discuss NMLS 2.0 feedback received during the conference via the conference mobile app.

Complete License Requirements: Information being requested is not always on the checklist. Mr. Doyle explained one of the goals for NMLS 2.0 is to make every

requirement be submitted entirely through the system, however, end-users must keep in mind that NMLS cannot require a state to change its processes or requirements.

Addressing State-Specific Requirements: All requirements, even those that are unique to individual states, will be incorporated into the system. The Policy Committee still has to determine access to state specific information, and ownership of licensing documents. Mr. Avrakotos asked what the policy debate is between states who want to be able to see other's state-specific documents and those who do not. Jedd Bellman, Office of the Maryland Commissioner of Financial Regulation, said his agency is fine with other states seeing their state-specific documents because these other states are subject to confidentiality agreements and the data provided to Maryland may assist other states in working through their individual licensing process. Kirsten Anderson, Oregon Division of Financial Regulation, and K.C. Schaler, Idaho Department of Finance, were both fine with the documents being viewable as long as a work item is not created for a state that did not request the document. Ms. Schaler also stated that if these documents are going to be uploaded, they need to be put in a specific category because the 1.0 system is clogged with data. Jim Payne, Kansas Office of the State Bank Commissioner, thinks the ability to see another states' documents will prevent unnecessarily asking applicants for the same items multiple times. Mr. Avrakotos thinks this could be considered a subversion of state law. Mr. Doyle disagreed with this statement. Amy Greenwood-Field, Dentons US LLP, asked whether there would be an ability to turn off this function. Mr. Bellman thought there should be a function in the settings to do this, but was not sure if this is possible because of technical limitations. Mr. Avrakotos' main concern is whether states will accept and review the documents even though they are not required by their state.

Regulator and Industry Combined Working Group: Questions arose about how to further engage industry in the development process, in conjunction with regulators. SRR will consider developing opportunities for both stakeholder groups to collaborate with development.

Account Creation Policies: NMLS 2.0 accounts are based on the individual, not the entity. A credentialing process will be required. This will aid with log-in issues and credibility. This new process will ensure that all users who need access to NMLS will be able to securely use the system.

Timing of the 2.0 Rollout: Mr. Doyle committed to informing the conference attendees about a more exact rollout date within the next three to four weeks, taking into consideration that September 30 is close to renewal season.

Mr. Doyle finished his presentation by asking attendees to please sign up and participate through [Yammer](#).

3. Reconsidering the Entities and Individuals to be Disclosed in NMLS for State Licensing Purposes

Amy Greenwood-Field & Lisa Marie Lanham, Dentons US LLP

Ms. Greenwood-Field and Ms. Lanham questioned what information is really required from regulators to make a licensing decision, especially when dealing with control persons and direct/indirect owners. They think it would be more appropriate and efficient to base the required information on the individuals who have functional control over the license.

Rhoda Ricketts, New York Department of Financial Services, asked if Dentons was questioning whether the information needed to be put in NMLS or not complying with state law. Ms. Greenwood-Field said that Dentons is not asking to abandon state law, but to keep in mind that 1.0 was built similar to the securities system and with the system evolving, this would be an appropriate time to consider changes. Mr. Avrakotos agreed with Dentons position, and said more refinement is required because the entities are so inter-related that under the current system they would have to answer “yes” because they are “control persons.”

A meeting attendee asked those present to keep in mind that there was a reason all control persons were required to disclose their information: bad actors were moving from state to state and company to company to hide or obscure their identities.

Mr. Bellman said there needs to be transparency with regard to corporate structure. Ms. Greenwood-Field stated where there is a large entity with 75 people, not all are going to have functional control of the license, and that due to that fact a credit report and criminal background check should not be required. Ms. Ricketts stated that in these situations, New York has a waiver. To receive the waiver, a letter must be submitted articulating the individuals do not have management over the license New York regulates.

Ms. Anderson mentioned a concern that an individual may simply choose a title, but may not actually be doing the work, so Oregon uses the NMLS Policy Guidebook and bases “control” on the activities, not the title. Ms. Schaler stated that Idaho adopted the NMLS Policy Guidebook, but that does not supersede reasoning, so they base “control” on what an individual actually does.

4. Self-Reported Employment History & Advance Change Notice Communication

Heidi Bauer, Buckley Sandler

Ms. Bauer addressed the issue of self-reporting employment history, specifically work location changes. Her clients have been receiving conflicting information from states

that contradicts the advice of the NMLS Policy Guidebook. Michael Casagrande, SRR, gave an update on how employment history and license sponsorship will work in NMLS 2.0. The intent is to make the process as automated as possible. Sandra Stone, Nevada Division of Mortgage Lending, stated their process cannot be automated because the address change is considered a change of license as well.

Ms. Bauer next commented on the use of the Advance Change Notice (ACN) Regulator Status and the uncertainty Buckley Sandler's clients face when trying to determine if it is used by a state. She requested that a chart be created to track states that use this functionality. Sharon Hughes, SRR, informed the attendees that there is a chart that tracks license ACN requirements and it may be able to be updated to include information on who uses the ACN Regulator Status. Ms. Schaler questioned whether a way to run reports through the ACN Regulator Status could be incorporated into 2.0. Rich Madison, SRR, said that the ability to do this is already being researched.

Mr. Avrakotos said that there should be two options in NMLS 2.0 for ACNs, approval or notice, because not all states require approval.

5. Streamlining Applications and Revisions

Cindy Corsaro, Promontory Fulfillment Services LLC

Ms. Corsaro presented the following pain points she experienced using NMLS in the last three months. She hopes these pain points will be taken into consideration and resolved in NMLS 2.0.

- Request for the system to highlight or note what sections have been changed since a pending filing was created. Often once the filing is created, you come back to add new information or submit the filing, and don't always remember the updates that have been made on previous days.
- Request for the system to allow a simple address update, e.g. removing the floor from the address. Currently, when updating the address in NMLS you must enter a "New" Street, City, State and Zip Code. It would be useful to have the ability to make only the changes needed. An explanation box would be helpful to identify the change made.
- Certain states do not list all requirements on the New Application Checklists. Request to have everything listed on the checklist, so deficiencies can be avoided.
- On the MU2 NMLS CBC Requirements Chart, some information is not clear regarding fingerprint cards required outside NMLS. The designations used should be consistent to determine which states require hard copy cards outside of NMLS, and allow payment within NMLS.

- Request to have a specific contact person identified in the State Agency Contacts and on all License Items posted to ask questions to the state regulators.
- Request to have an “Other” or customizable field for document uploads that cannot be categorized in the current Document Upload types.

Ms. Ricketts responded to the fingerprinting issue, noting New York cannot allow ordering and paying for fingerprint cards online because they go through a state system due to disclosure issues. Mr. Madison said several of the other issues are being addressed in the new system. Stephanie Buonomo, SRR, reported there will not be an “other” category added because it would be overwhelmed. SRR is working to add categories that accommodate each state-specific requirement.

6. Challenges of Trusts in NMLS

Keisha Whitehall Wolfe, Mayer Brown LLP

Ms. Whitehall Wolfe brought forth an issue Mayer Brown clients have experienced when trying to be licensed as collection agencies or sales finance companies for the purpose of administering statutory or common law trusts. NMLS was not designed to facilitate licensing for companies organized as trusts. The system requires the selection of an account administrator, but trusts have beneficiaries rather than employees. Therefore, applicants must try to get licensed with the help and discretion of the regulators and compromises they are willing to make so the applicant can meet the system’s requirements.

Mr. Bellman stated there are many kinds of trusts and all trusts need to be licensed. There are ways to get what you need, you just have to determine which trust documents closely match the categories of documents requested. Mr. Avrakotos said trusts are now buying corporate asset, which NMLS has not been set up to handle, but should be considered.

7. Need for Uniformity in State Level Data Reporting & Timely Provision of State Examination Reports

Justin Wiseman, Mortgage Bankers Association

Mr. Wiseman spoke about data uniformity issues and touched briefly on data security and the sharing of documents. He asked whether 2.0 changes would provide clarity on these issues and stated he hoped there would be more due process in the future from the Consumer Financial Protection Bureau. Paul Ferree, SRR, said that 2.0 will create uniformity around financial condition reporting through the MCR and stated that SRR is interested in hearing public comments on the issue.

Mr. Wiseman also expressed concern at the length of time it takes to receive closed-out examination reports. Christopher Romano, Montana Division of Banking & Financial Institutions and Chair of the Multi-State Mortgage Committee (MMC), said the group is working on shortening the timeline on MMC examinations. He believes the State Examination System (SES) will help that process. Mr. Bellman said SES will help scope exams. Mr. Cortes recognized staffing issues have lengthened Connecticut's turn-around time.

8. State-Specific Information Reported in NMLS

Costas Avrakotos, Mayer Brown LLP

Mr. Avrakotos expressed concern with the requests of state-specific information from regulators and the strain it is causing applicants. He gave the example that NMLS requires indirect owners of 10% or more to be included, but some state regulators who are requiring all indirect owners to be listed so that the ownership adds up to 100%. He thinks compelling companies who have been licensed for more than 10 years to make these changes is not just.

Ms. Anderson said state laws may require specific documents that are not required by NMLS, but that Oregon will no longer accept any data/paperwork outside of NMLS because it presents storage and data security issues. Additionally, NMLS provides greater disaster recovery ability by allowing staff to work from anywhere. Felicia Faison-Holmes, Georgia Department of Banking and Finance, said it is easier to look at a single screen and see an individual owns "x"%, rather than considering data outside of the system.

Mr. Corscadden thanked all the attendees and participants at the meeting and adjourned at 10:48 a.m.