APPROVED NMLS MU FORM CHANGES FOR IMPLEMENTATION ON JANUARY 25, 2010

November 5, 2009
Purpose of MU Forms
The MU Forms are the national, uniform license forms created by state regulators in building the Nationwide Mortgage Licensing System (NMLS). The MU Forms create a national standard of information collection for company, branch, and loan originator licensure. The MU Forms are intended to provide state mortgage regulators with sufficient information to make a decision to approve a new license, continue a license authority, or approve a license renewal request.

Background
State mortgage regulators began developing the MU Forms in 2005 through monthly, in-person meetings coordinated by CSBS\(^1\) and AARMR\(^2\), conducted over a two year period. The development of the MU Forms included not only standard questions, but also standard requirements, definitions, and processes. Five states piloted the MU Forms starting in late 2005 and early 2006. These states were Idaho, Iowa, Massachusetts, New Hampshire, and Washington.

With input from continued regulator meetings, the experience of the five pilot states, and industry feedback, the MU Forms were finalized and published in paper on January 17, 2007. The MU Forms consist of the following:

- **MU1** – Uniform Mortgage Lender/Mortgage Broker Form
- **MU2** – Uniform Mortgage Biographical Statement & Consent Form
- **MU3** – Uniform Mortgage Branch Office Form
- **MU4** – Uniform Individual Mortgage License/Registration & Consent Form

The MU Forms, as finalized on January 17, 2007, were used to build NMLS. Minor changes were made to the MU Forms and updated paper versions were finalized and published on January 2, 2008, coinciding with the launch of NMLS.

Request for Public Comments
On November 20, 2008, the State Regulatory Registry LLC (SRR), on behalf of the state regulatory agencies using NMLS, invited comments from the public, including licensees and regulatory agencies, on the content of the MU Forms as represented on NMLS or on the paper forms posted on the NMLS website. Comments were sought for two distinct areas:

1. Based on experience in using the MU Forms over the past several years, input was sought with regards to improving the questions or content of the forms so as to better achieve the above stated purposes.

2. Based on Title V of P.L. 110-289, *The Safe and Fair Enforcement of Mortgage Licensing Act of 2008* (or the “S.A.F.E. Act”\(^3\)), input was sought with regards to modifying the MU Forms to meet the demands of the S.A.F.E. Act.

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\(^1\) Conference of State Bank Supervisors. More information can be found at [www.csbs.org](http://www.csbs.org)

\(^2\) American Association of Residential Mortgage Regulators. More information can be found at [www.aarmr.org](http://www.aarmr.org)

\(^3\) More information about the S.A.F.E. Act can be found here: [The S.A.F.E. Act Resource Page](http://www.aarmr.org)
SRR received approximately 63 comments from 25 different commenters during the comment period.

All suggestions were reviewed by the MU Forms Working Group of state mortgage regulators and discussed on conference calls open to all state mortgage regulators. Proposed changes were also discussed with the SRR Mortgage Advisory Council and the Industry Development Working Group. The MU Forms Working Group’s recommendations were then sent to the SRR Mortgage Licensing Policy Committee for approval. The members of the MU Forms Working Group were:

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<tr>
<th>REPRESENTATIVE</th>
<th>AGENCY</th>
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<tbody>
<tr>
<td>Alan Cicchetti – Chair</td>
<td>Connecticut Department of Banking</td>
</tr>
<tr>
<td>Janet Anderson</td>
<td>Georgia Department of Banking and Finance</td>
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<tr>
<td>K.C. Schaler</td>
<td>Idaho Department of Finance</td>
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<tr>
<td>John Schroeder</td>
<td>Indiana Department of Financial Institutions</td>
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<td>Rod Reed</td>
<td>Iowa Division of Banking</td>
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<td>Steve Knudson</td>
<td>Vermont Department of Banking and Insurance</td>
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List of Changes
Changes will be made to the following sections of the MU Forms:

- **Disclosure Questions** – MU1 Criminal Disclosure Question B; MU2/MU4 Criminal Disclosure Questions D, E, F, G; MU2/MU4 Regulatory Question I
- **Control Information** – Clarify and Reorder Questions
- **Other Business Names** – Rename to Other Trade Name
- **Identifying Information** – Add space for Toll Free Number
- **Consumer Complaint Employee Information** – Add checkbox to auto-populate from Contact Employee Information
- **MU4 Oath Language** – Amend language to accommodate company submission of MU4
- **Direct Owners and Indirect Owners** – Update text and functionality to properly identify companies and individuals who should be listed in these sections
- **Definitions** – Changes to definitions of Control and Financial Services Related
Implementation of Changes
While the MU Form changes will be implemented on January 25, 2010, licensees will not have to answer new questions until they make a new filing.

Companies and individuals will be required to answer new disclosure questions when they make a filing in the system through a license request, transition request or amendment filing. Regulators who wish to have the new questions answered may require amendment filings by placing deficiencies on a licensee’s record.

Licensees must become familiar with the changes to the various sections and definitions and make necessary updates to their NMLS record. Licensees should be familiar with the NMLS Policy Guidebook for Licensees found on the NMLS Resource Center website (www.nationwidelicensingsystem.org).

The approved changes to the MU Forms described on pages 5 through 21 of this document will be implemented in the system, paper MU Forms and NMLS Policy Guidebook for Licensees in January 2010.
Question (B)(1) in the Disclosure Question section of the MU1 form will be reworded.

**CURRENT QUESTION:**

(B) In the past 10 years has the entity or a control affiliate:

1. been convicted of or pled guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to a misdemeanor involving: financial services or a financial services-related business; any fraud, false statements, or omissions; any theft or wrongful taking of property; bribery; perjury; forgery; counterfeiting; extortion; or a conspiracy to commit any of these offenses?

2. been charged with a misdemeanor specified in (B)(1)?

**NEW QUESTION:**

(B)

(1) In the past 10 years has the entity or a control affiliate been convicted of or pled guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to committing or conspiring to commit a misdemeanor involving: (i) financial services or a financial services-related business, (ii) fraud, (iii) false statements or omissions, (iv) theft or wrongful taking of property, (v) bribery, (vi) perjury, (vii) forgery, (viii) counterfeiting, or (ix) extortion?

(2) Are there pending charges against the entity or a control affiliate for a misdemeanor specified in (B)(1)?
INDIVIDUAL FILING DISCLOSURE QUESTIONS (MU2/MU4)

The Disclosure Questions on the Individual Filing (MU2 and MU4) will be amended. A redline version of the current questions follow and a finalized version can be found at the end of the document as Addendum A:

FINANCIAL DISCLOSURE

(A) Within the past 10 years:

(1) have you filed a personal bankruptcy petition or been the subject of an involuntary bankruptcy petition?

(2) based upon events that occurred while you exercised control over any organization, have you filed a bankruptcy petition or been the subject of an involuntary bankruptcy petition?

(B) Has a bonding company every denied, paid out on, or revoked a bond for you?

(C) Do you have any unsatisfied judgments or liens against you?

CRIMINAL DISCLOSURE

(D) Have you ever:

(1) have you ever been convicted of or pled guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to any felony?

(2) Are there pending charges against you for being charged with any felony?

(E) Based upon the activities that occurred while you exercised control over an organization, has any organization ever:

(1) been convicted of or pled guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to any felony?

(2) Are there pending charges against any organizations for being charged with any felony?

(F) Have you ever been convicted or pled guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to committing or conspiring to commit a misdemeanor involving: (i) financial services or a financial services-related business, (ii) any fraud, (iii) false statements or omissions, (iv) theft or any wrongful taking of property, (v) bribery, (vi) perjury, (vii) forgery, (viii) counterfeiting, or (ix) extortion, or a conspiracy to commit any of these offenses?

(2) Are there pending charges against you for the misdemeanor specified in F(1)?

(G) Based upon the activities that occurred while you exercised control over it, has any organization ever:

(1) been convicted of or pled guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to a misdemeanor specified in F(1)?

(2) Are there pending charges against any organizations for a misdemeanor specified in F(1)?

CIVIL JUDICIAL DISCLOSURE
(1) Has any domestic or foreign court ever:
   
   (a) enjoined you in connection with any financial services-related activity?
   
   (b) found that you were involved in a violation of any financial services-related statute(s) or regulation(s)?
   
   (c) dismissed, pursuant to a settlement agreement, a financial services-related civil action brought against you by a State, federal, or foreign financial regulatory authority?
   
   (2) Are you named in any pending financial services-related civil action that could result in a "yes" answer to any part of H(1)?

REGULATORY ACTION

(I) Has any State or federal regulatory agency or foreign financial regulatory authority ever:

   (1) found you to have made a false statement or omission or been dishonest, unfair or unethical?
   
   (2) found you to have been involved in a violation of a financial services-related business regulation(s) or statute(s)?
   
   (3) found you to have been a cause of a financial services-related business having its authorization to do business denied, suspended, revoked or restricted?
   
   (4) entered an order against you in connection with a financial services-related activity?
   
   (5) revoked your registration or license

(6) denied, or, suspended, or revoked your registration or license, disciplined you, or otherwise by order, prevented you from associating with a financial services-related business or restricted your activities?

(7) barred you from association with an entity regulated by such commissions, authority, agency, or officer, or from engaging in a financial services-related business?

(8) issued a final order against you based on violations of any law or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

(J) Have you ever had an authorization to act as an attorney, accountant, or State of federal contractor that was revoked or suspended?

(K) Are you now the subject of any regulatory action proceeding that could result in a "yes" answer to any part of I or J?

CUSTOMER ARBITRATION/CIVIL LITIGATION DISCLOSURE

(L) Have you ever been named as a respondent/defendant in a financial services-related consumer-initiated arbitration or civil litigation which:

   (1) is still pending; or
   
   (2) resulted in an arbitration award or civil judgment against you, regardless of amount, or that required corrective action; or
(3) was settled for any amount?

TERMINATION DISCLOSURE

(M) Have you ever voluntarily resigned, been discharged, or permitted to resign after allegations were made that accused you of:

(1) violating statute(s), regulation(s), rule(s), or industry standards of conduct?

(2) fraud, dishonesty, theft, or the wrongful taking of property?
The duplicate request for an organizational chart will be removed from the Control Information Page and questions will be renumbered.

Changes:

1. The questions will be renumbered and reordered as reflected above.

2. One question regarding organization chart and one request for control relationship details will be removed.

3. New question #4 will be changed from “Briefly describe control…” to “If you are not providing an organizational chart, briefly describe control relationship(s) with entities described in (1) and (2) above, (including percentage of interest), as applicable.”
The Other Business Names section on MU1 will be renamed to Other Trade Names.

The MU3 uses the term “Other Trade Names” and the MU1 will be changed to make the terms consistent across both forms. Conforming changes will be made to the text on the page and any error messages, if applicable. License names for states issuing dba licenses also will be amended to conform to the change.
Additional space will be provided for an optional Toll Free phone number in the Identifying Information section of Form MU1. The system will only allow Toll Free phone numbers to be entered.

Regulators and Licensees expressed the desire to be able to enter a Toll Free number in addition to the Business Phone.
A checkbox will be added to the *Consumer Complaint Employee Information* page to allow auto-population of fields if this information is the same as *Contact Employee* information.

In many cases, the Consumer Complaint Employee and the Contact Employee is the same individual. Employing a checkbox in this section will alleviate some double entry of information.
UPDATE MU4 OATH LANGUAGE TO ACCOMMODATE COMPANY SUBMISSION OF MU4

CURRENT LANGUAGE

I Username of Company Name on this date Day of Week, Date of Filing make oath and say as follows, that I am submitting this form on behalf, and with the authority, of Applicant Name (Applicant) and that on behalf, and with the authority of, Company Name (Company), I agree to and represent the following:

A. To the best of the Company’s knowledge:
   (1) The information and statements contained herein, including exhibits attached hereto, and other information filed herewith, all of which are made a part of this application, are current, true, accurate and complete and are made under the penalty of perjury, or unsworn falsification to authorities, or similar provisions as provided by law;
   (2) To the extent any information previously submitted is not amended hereby, such information remains accurate and complete;
   (3) That the jurisdiction(s) to which an application is being submitted may conduct any investigation into my background, in accordance with all laws and regulations;
   (4) To keep the information contained in this form current and to file accurate supplementary information on a timely basis; and
   (5) To comply with the provisions of law, including the maintenance of accurate books and records, pertaining to the conduct of business for which I am applying.

If an Applicant has made a false statement of a material fact in this application or in any documentation provided to support the foregoing application, then the foregoing application may be denied.

NEW LANGUAGE

I Username of Company Name on this date Day of Week, Date of Filing make oath and say as follows, that I am submitting this form on behalf, and with the authority, of Applicant Name (Applicant) and that on behalf, and with the authority of, Company Name (Company), I agree to and represent the following:

A. To the best of the Company’s knowledge:
   (1) The information and statements contained herein, including exhibits attached hereto, and other information filed herewith, all of which are made a part of this application, are current, true, accurate and complete and are made under the penalty of perjury, or unsworn falsification to authorities, or similar provisions as provided by law;
   (2) To the extent any information previously submitted is not amended hereby, such information remains accurate and complete; and
   (3) That the jurisdiction(s) to which an application is being submitted may conduct any investigation into the Applicant’s background, in accordance with all laws and regulations.

B. While an active relationship exists between the Company and the Applicant, the Company will:
   (1) Ensure the Applicant is keeping the information contained in this form current and filing accurate supplementary information on a timely basis; and
   (2) Ensure that the Applicant complies with the provisions of law, including the maintenance of accurate books and records, pertaining to the conduct of business for which the Applicant is applying.

C. When the association between the Company and the Applicant ends, the Company will make the appropriate filings to terminate the company relationship on a timely basis.

If an Applicant has made a false statement of a material fact in this application or in any documentation provided to support the foregoing application, then the foregoing application may be denied.
I verify that I am the named person above and that I am authorized to submit this filing on behalf of the Applicant and attest to the filing and make the above representations on behalf of the Company.

Updating this attestation language will allow a company representative to properly attest as a Third Party Natural Person in order to submit a MU4 on behalf of one of their employees.
DIRECT OWNERS AND EXECUTIVE OFFICERS

Various text changes will be made to the page to indicate who should be listed in this section.

NMLS will add a link from this page to the *NMLS Policy Guidebook for Licensees* in order to provide the detailed policy regarding Direct Owners and Executive Officers in NMLS.
DIRECT OWNERS AND EXECUTIVE OFFICERS

A Form MU2 will be required for all natural persons listed in the Direct Owners and Executive Officers section of Form MU1. Natural persons not meeting the definition of Control Person should not be listed on this page.

Changes:

1. Functionality will be removed that required only those natural persons checked as “control person” to submit Form MU2. All natural persons listed in this section will be required to submit a MU2.

2. Various text changes will be made to the page to assist licensees in determining who should be identified in this section.
INDIRECT OWNERS

NMLS requires natural persons listed in the Indirect Owners section of form MU1 who meet the definition of *Control* to provide a Form MU2.

Changes:

1. The current field label “Direct Owner in Which Interest is Owned” will be changed to “Equity Owner in Which Interest is Held” to allow regulators to build a hierarchical organizational chart from the information.

2. A radio button will be added to allow licensees to identify natural person indirect owners of 10% or more of the licensee as a “Control Person.” These individuals will be required to complete Form MU2.
DEFINITION/DOCUMENTATION CHANGES

DEFINITION OF CONTROL

The current definition of Control is:

CONTROL – The power, directly or indirectly, to direct the management or policies of a company, whether through ownership of securities, by contract, or otherwise. Any person that (i) is a general partner or executive officer, including Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Legal Officer, Chief Compliance Officer, Director, and individuals with similar status or functions; (ii) directly or indirectly has the right to vote 10% or more of a class of a voting security or has the power to sell or direct the sale of 10% or more of a class of voting securities; or (iii) in the case of a partnership, has the right to receive upon dissolution, or has contributed, 10% or more of the capital, is presumed to control that company.

The following will be added to the definition:

1. Add “Chief Credit Officer” as a title in the Control definition in (i)
2. Clarification will be made to the section (i) regarding individuals occupying similar positions or performing similar functions

The new definition of Control will read:

CONTROL – The power, directly or indirectly, to direct the management or policies of a company, whether through ownership of securities, by contract, or otherwise. Any person that (i) is a general partner or executive officer, including Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Legal Officer, Chief Credit Officer, Chief Compliance Officer, Director, and individuals occupying similar positions or performing similar functions; (ii) directly or indirectly has the right to vote 10% or more of a class of a voting security or has the power to sell or direct the sale of 10% or more of a class of voting securities; or (iii) in the case of a partnership, has the right to receive upon dissolution, or has contributed, 10% or more of the capital, is presumed to control that company.

DEFINITION OF FINANCIAL SERVICES OR FINANCIAL SERVICES RELATED

The current definition of Financial Services or Financial Services Related is:

FINANCIAL SERVICES OR FINANCIAL SERVICES RELATED – Pertaining to securities, commodities, banking, insurance, consumer lending, or real estate (including, but not limited to; acting as or being associated with a bank or savings association, credit union, mortgage lender, mortgage broker, real estate salesperson or agent, closing agent, title company, or escrow agent).
The definition will be changed to include:

1. Add “Farm Credit System institution” after “…credit union…” in the definition (do not capitalize institution)

2. Add “appraiser” to definition

The new definition of Financial Services or Financial Services Related will read:

**FINANCIAL SERVICES OR FINANCIAL SERVICES RELATED** – Pertaining to securities, commodities, banking, insurance, consumer lending, or real estate (including, but not limited to; acting as or being associated with a bank or savings association, credit union, Farm Credit System institution, mortgage lender, mortgage broker, real estate salesperson or agent, appraiser, closing agent, title company, or escrow agent).

**SCHEDULE A AND SCHEDULE B – FORM MU1 PAPER VERSION**

Schedule A, 2(c)(ii) and Schedule B, 2(a)(ii) currently state:

“that he/she has the right to acquire, within 60 days, through the exercise of any option, warrant or right to purchase the security.”

These sections, 2(c)(ii) and 2(a)(ii), will be removed from the Form MU1 Paper Versions and corresponding changes will be made to the *NMLS Policy Guidebook*.

Licensees will be required to disclose only their current ownership as the system only allows disclosure of up to 100% of an applicant. Jurisdictions requiring the information pertaining to the above sections should obtain it outside the system.
ADDENDUM A
Finalized Individual Filing (MU2/MU4) Disclosure Questions to be implemented in January 2010

FINANCIAL DISCLOSURE

(A) Within the past 10 years:

(1) have you filed a personal bankruptcy petition or been the subject of an involuntary bankruptcy petition?

(2) based upon events that occurred while you exercised control over any organization, have you filed a bankruptcy petition or been the subject of an involuntary bankruptcy petition?

(B) Has a bonding company every denied, paid out on, or revoked a bond for you?

(C) Do you have any unsatisfied judgments or liens against you?

CRIMINAL DISCLOSURE

(D)

(1) Have you ever been convicted of or pled guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to any felony?

(2) Are there pending charges against you for any felony?

(E) Based upon the activities that occurred while you exercised control over an organization:

(1) Has any organization ever been convicted of or pled guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to any felony?

(2) Are there pending charges against any organizations for any felony

(F)

(1) Have you ever been convicted or pled guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to committing or conspiring to commit a misdemeanor involving: (i) financial services or a financial services-related business, (ii) fraud, (iii) false statements or omissions, (iv) theft or wrongful taking of property, (v) bribery, (vi) perjury, (vii) forgery, (viii) counterfeiting, or (ix) extortion?

(2) Are there pending charges against you for a misdemeanor specified in F(1)?

(G) Based upon the activities that occurred while you exercised control over an organization:

(1) Has any organization ever been convicted of or pled guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to a misdemeanor specified in F(1)?

(2) Are there pending charges against any organizations for any misdemeanor specified in F(1)?

CIVIL JUDICIAL DISCLOSURE

(H)

(1) Has any domestic or foreign court ever:

(b) enjoined you in connection with any financial services-related activity?

(b) found that you were involved in a violation of any financial services-related statute(s) or regulation(s)?
(c) dismissed, pursuant to a settlement agreement, a financial services-related civil action brought against you by a State, federal, or foreign financial regulatory authority?

(2) Are you named in any pending financial services-related civil action that could result in a "yes" answer to any part of H(1)?

REGULATORY ACTION
(J) Has any State or federal regulatory agency or foreign financial regulatory authority ever:

(1) found you to have made a false statement or omission or been dishonest, unfair or unethical?

(2) found you to have been involved in a violation of a financial services-related business regulation(s) or statute(s)?

(3) found you to have been a cause of a financial services-related business having its authorization to do business denied, suspended, revoked or restricted?

(4) entered an order against you in connection with a financial services-related activity?

(5) revoked your registration or license

(6) denied or suspended your registration or license, disciplined you, or otherwise by order, prevented you from associating with a financial services-related business or restricted your activities?

(7) barred you from association with an entity regulated by such commissions, authority, agency, or officer, or from engaging in a financial services-related business?

(8) issued a final order against you based on violations of any law or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

(J) Have you ever had an authorization to act as an attorney, accountant, or State of federal contractor that was revoked or suspended?

(K) Are you now the subject of any regulatory action proceeding that could result in a "yes" answer to any part of I or J?

CUSTOMER ARBIRTRATION/CIVIL LITIGATION DISCLOSURE
(L) Have you ever been named as a respondent/defendant in a financial services-related consumer-initiated arbitration or civil litigation which:

(1) is still pending; or

(2) resulted in an arbitration award or civil judgment against you, regardless of amount, or that required corrective action; or

(2) was settled for any amount?

TERMINATION DISCLOSURE
(M) Have you ever voluntarily resigned, been discharged, or permitted to resign after allegations were made that accused you of:

(1) violating statute(s), regulation(s), rule(s), or industry standards of conduct?

(2) fraud, dishonesty, theft, or the wrongful taking of property?