



Response to Public Comment Period on NMLS Modernization: Networked Licensing Model, Licensing Requirements Framework, Core Requirements & Identity Verification



A Component of the
NMLS Modernization
Initiative

Comment Period: March 31, 2021 –
May 31, 2021



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Response to Public Comment Period on NMLS Modernization: Networked Licensing Model, Licensing Requirements Framework, Core Requirements & Identity Verification (IDV)

March 31, 2021 – May 31, 2021

November 30, 2021

Between March 13 and May 31, 2021, on behalf of the NMLS Policy Committee¹, the Conference of State Bank Supervisors (CSBS)² invited public comments and feedback on the Networked Licensing Model³ (the Model), Licensing Requirements Framework (the Framework), Core Requirements, and Identity Verification (IDV). [Click here](#) to access the proposal. With the feedback received, the NMLS Modernization Steering Committee, NMLS Policy Committee, and CSBS intend to continue to develop the modernized NMLS system in a way that supports Networked Supervision and the state system. [Click here](#) to access all submitted comments.

Goals

CSBS is working to develop a next generation nationwide multistate licensing and supervisory technology system to anticipate and accommodate the evolving needs of the state system of financial regulation. The goal is to build a new system to:

- Streamline the license application process
- Create an optimized user experience
- Empower state authority through data-driven solutions
- Promote efficient operations and networked supervision among regulators

The modernized NMLS will require adapting to new ways of thinking about how regulators will work together. The concept of networked supervision⁴ creates a framework for:

- Full information sharing
- Eliminating redundancies
- Interdependent review
- Common standards
- Data standardization

To support these goals, the NMLS Launch Product⁵ and networked supervision, the NMLS Modernization Steering Committee⁶ has developed the Networked Licensing Model, Licensing Requirements Framework, Core Requirements & Identity Verification (IDV) Proposal.

¹ Information about the NMLS Policy Committee can be found [here](#).

² Information about the Conference of State Bank Supervisors can be found [here](#).

³ Previously named the Networked Supervision Licensing Model

⁴ State regulators sharing information, data, and relying on each other's work such that the system of supervision acts as a coordinated whole, without any of its parts foregoing their sovereignty.

⁵ The first phase of the modernized NMLS system, will include an end-to-end system to serve money services businesses (MSB) regulators and industry.

⁶ Information about the NMLS Modernization Steering Committee can be found [here](#).



Background

Networked Licensing Model

The Networked Licensing Model (the Model) is the foundation of the NMLS Launch Product. Inspired by and modeled after the [Multistate MSB Licensing Agreement Program \(MMLA\)](#), the Model strives to increase efficiencies in the licensing process for both state regulators and industry applicants/licensees, while recognizing the needs of both groups. Beginning with the money services businesses (MSB) industry, the Model will be the basis for licensing all industries, including mortgage, debt, and consumer finance, in the Modernized NMLS. Like the MMLA, the Model, allows for state regulators to share and eliminate duplicative work, while retaining their authority over licensing in their state. The Model greatly benefits applicants and licensees by increasing clarity around license requirements, providing an initial primary point of contact, and improving application turn times.

Licensing Requirements Framework

To organize common and unique license requirements, the NMLS Modernization Steering Committee has developed the Licensing Requirements Framework (the Framework). The Framework is intended to segment licensing requirements in a way that standardizes data collection, while providing state regulators with the information they need to make educated licensing decisions. The Framework divides licensing requirements into three categories: Core Requirements, Business-Specific Requirements, and License-Specific Requirements.

Core Requirements

Under the Model, all companies, individuals, and locations, regardless of business model, the industry they are operating in or licenses they hold, will be required to provide a standard set of information, and meet standardized requirements, referred to as Core Requirements. Core Requirements, or “Core”, is defined as demographic and other basic information all nonbank entities, regardless of industry, are required to provide. Core Requirements are not configurable by state agency and are universal to all nonbank financial service companies. The Core Requirements includes data points and information from the current NMLS Company Form, Branch Form, and Individual Form in use in NMLS, unless otherwise noted.

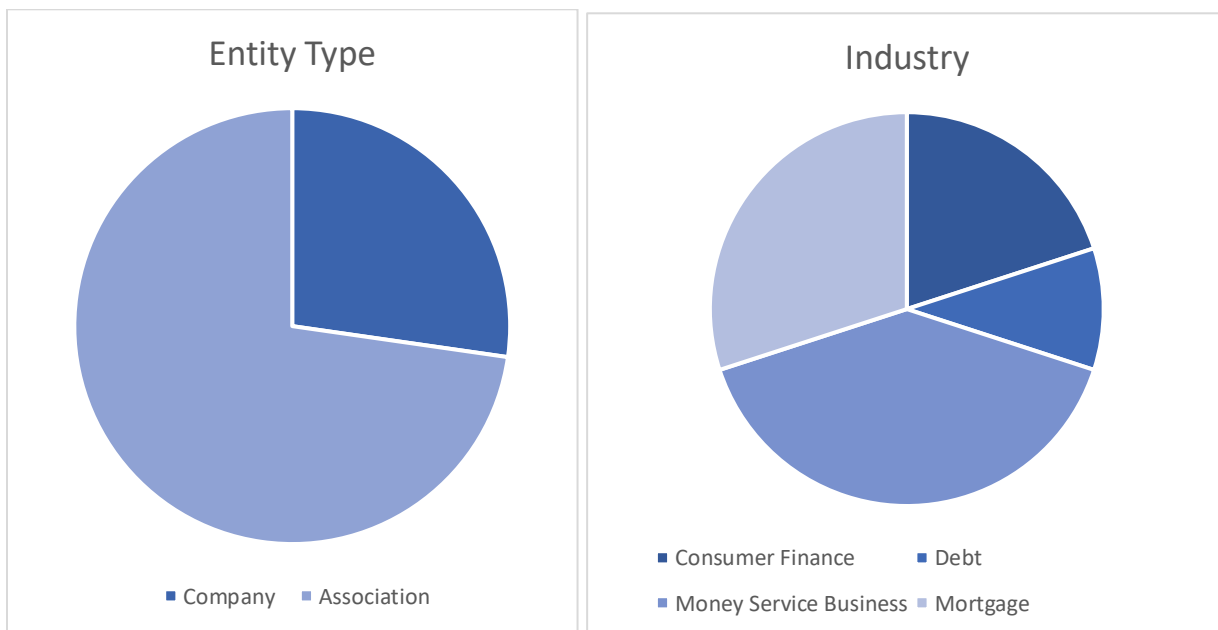
Identity Verification

To promote security and create a cohesive user experience for the suite of applications supporting Networked Supervision, the Modernized NMLS will implement an Identity Verification solution for all system users. Each unique user will have a single login that will be associated and permissioned for the various applications and records the user will manage in NMLS. Each new user will complete a verification process to confirm the individual creating the account is valid, and to prevent duplicate accounts.

Executive Summary

CSBS received 10 responses from the following organizations in the debt, mortgage, money services businesses and consumer finance industries:

- American Financial Services Association (AFSA)
- Electronic Transactions Association
- Encore Capital Group
- Financial Innovation Now (FIN)
- Freedom Mortgage Corporation
- Money Service Business Association
- Mortgage Bankers Association (MBA)
- National Pawnbrokers Association (NPA)
- Quicken Loans
- The Money Services Round Table (TMSRT)



The responses were analyzed and broken down into 97 comments. Additional comments were captured but were directly related to functionality in the legacy NMLS system; this document will not speak to these comments.

Based on the responses received, the industry is very supportive of the NMLS Modernization goals of increased efficiencies and streamlined processes. However, they recognize the system will not be successful if states are not committed. Their primary concerns focus on state adoption of the modernized system's requirements and processes, the implementation of the new system for existing licensees, and the limited specific details that are currently available on the model, new system, and plans for future. In their comments, industry did not note opposition to the majority of the requirements identified as Core⁷ in the proposal.

⁷ Demographic and other basic information all nonbank entities, regardless of industry, are required to provide. Core Requirements are not configurable by state agency and are universal to all nonbank financial service companies.



Comments & Responses

The NMLS Modernization Steering Committee and CSBS reviewed the 10 industry responses to the request for comments. Below is a summary of the comments and changes made in the approach based on those comments and continued discovery and development of the new system. [Click here](#) to access all submitted comments.

Networked Licensing Model

Several organizations voiced their support for the model, appreciating the significant potential benefits of increased clarity around licensing requirements, an initial primary point of contact, and improving application turn times. However, overall concerns about the number of unknowns still in the Model were noted.

Phase 1: Lead Agency Assignment, Communication & Fees

Industry commenters asked for more specific information about how the lead agency is chosen. Commentors noted concerns that the Lead Agency would be a state for the which the company is not applying. CSBS and the NMLS Policy Committee understand industry wants more information on how the Lead Agency is chosen and the Model in general. As the Model is matured, more details will be shared with industry. However, concerns that the Lead Agency would be a state for the which the company is not applying are unfounded as the Lead Agency would never be an agency for which the company did not apply. The Lead Agency would be determined from the group of state agencies for which the company is applying while taking the capacity of each agency into consideration.

Industry commenters were also concerned the Lead Agency assignments based on state capacity and applicant selection will create a loophole allowing applicants to favor certain states when first getting licensed, which would create an uneven distribution of work. The NMLS Policy Committee and Steering Committee have discussed the concern that Lead Agency assignments based on state capacity and applicant selection will create a loophole allowing applicants to favor certain states, which would then create an uneven distribution of work, and believes that this is not a legitimate fear, as the Model should balance this inequity as time goes on. States that are “favored” will have more assignments, which will require other states to then be assigned as the Lead Agency.

The MBA believes the best way to assign the Lead Agency would be to adopt a home state or home regulator model. The committees have discussed assigning the home state of the applicant as their Lead Agency and it was decided that assignment based on capacity was best since applicant do not always hold a license in their home state.

The NPA commented they do not believe the Model, or the Lead Agency structure will work for Pawnbrokers, since many companies in this industry are smaller, single state operators. The NMLS Policy Committee, Steering Committee and CSBS believe the Model and employing a Lead Agency in the licensing process will improve the process for all states and industries. The Model is based on the Multistate MSB Licensing Agreement Program



(MMLA), which has been successful for MSB regulators and start-up companies. While the primary focus for the modernized NMLS has been the MSB industry, since they will be the first to use the system, other industries will be considered and CSBS and the NMLS Policy Committee will strive to develop a system that works for all non-depository companies and regulators.

Industry commenters noted the modernized NMLS should contain an established method of communication between the lead agency and the applicant. A goal of the modernized system is to capture all communication between the regulator and applicant. While full communication capabilities may not be available at system launch, this is a long-term goal of the system, which CSBS has already captured as a requirement.

Industry also commented that they would like more information about how fees are determined/paid under the Model. CSBS acknowledges this need, however, this is still an unknown that is being working on. More information will be shared as soon as it is available.

Phase 1: Escalations, Expiration, & Review Standards/License Approvals/Turn/times

Industry commentors had many questions and comments on the Phase 1 component of the Model, specifically related to escalations, expiration, and review standards/license approvals/turn-times. One member of the industry commented that an appeals process should be created to help protect against a single state's concerns delaying the licensing approval of other states. CSBS and the NMLS Policy Committee recognize there needs to be a governing body managing the Model, making updates as needed and dealing with escalated issues. CSBS and the NMLS Policy Committee still need to determine who will comprise that committee and how they will serve.

Industry commentors also felt the Phase 1 review should be valid for all subsequent applications to avoid the duplicative review of the same information. One commenter noted that "significant change" to a company's record needs to be clearly defined so that industry understands when the Phase 1 review may need to be completed again. CSBS and the NMLS Policy Committee will work to define this term as amendments are worked on for the new system.

The MBA believes the Phase 1 review should not expire and should be used for all subsequent applications. NMLS should then flag changes to Phase 1 information and the dates for those modifications and share the review of these changes with Phase 2 regulators to verify prior to completing their review of state specific information. This is the current thinking in system development. The goal for the modernized NMLS and the Model is to only have information reviewed when it changes.

Related to review standards/approvals/turn times, the Phase 1 should have basic and standard requirements for each state, allowing any state to complete the Phase 1 review in the same reasonable time. To avoid substantial delays in the NMLS licensing process, one commenter noted that there should be a specified time limit for the Phase 1 review. If the Phase 1 review is not completed in the agreed upon timeframe, the application should follow a single state process. Like the MMLA, the Model will have specific timeframes for processing a Phase 1



review. This will allow for a wide range of participating states to serve as the Lead State and would not delay an applicant from proceeding to Phase 2 of the Model.

Industry noted concerns with the Lead Agency's possible inherent biases causing review standards not to be applied uniformly across all other state agencies. They also noted concerns with delays or even denials from state's serving as the Lead Agency and not following the standard process and practices laid out in the model (i.e., asking additional questions or for additional information). One industry commentor was concerned that states with stricter requirements may not accept the Phase 1 review of a state perceived as easier. One commentor noted that the Model should include additional details about application approvals. Industry noted concerns that the turn-times for the Phase 1 review will vary greatly among lead agencies, which will then affect license approvals of other states. CSBS acknowledges and shares these concerns as they are rooted in agency adoption of the Model. The Model will not be successful unless participating agencies commit to and follow the processes and procedures. CSBS has shared these concerns with the Policy Committee and Steering Committee. In March 2021, CSBS kicked off the NMLS Modernization Adoption Outreach Initiative with the agencies that authorize Money Transmission. CSBS staff reached out to these agencies to discuss NMLS Modernization and other Networked Supervision initiatives to help agencies determine the work required for them to commit to adopting these initiatives. This outreach culminated in a plan for each agency to move towards the adoption of the modernized NMLS, including points to address legislative concerns given that the initial launch product will support the MSB industry.

Phase 2: Electronic Surety Bonds, Requirements, & Review Standards/License Approvals/Turn/times

Industry also commented on areas of Phase 2 of the Model, including Electronic Surety Bonds (ESB), requirements, and review standards/approvals/turn-times. Industry noted that the Model should require all states using NMLS to adopt the ESB process to increase efficiencies. While CSBS cannot require states to use ESB, we strongly encourage it. This was a topic during the NMLS Modernization Adoption Outreach Initiative described above.

Industry noted concerns that states may undermine the Phase 1 review during the Phase 2 review by requiring more information/documents related to Phase 1 requirements as part of the state-specific items. CSBS acknowledges this concern. We anticipate the creation of license-specific requirements in the modernized NMLS will be reviewed similarly to the licensing requirements checklists today. CSBS will review requirements added by state regulators and work with them to align with the policies and processes of the new system. This concern is also rooted in agency adoption of the Model. CSBS has shared these concerns with the NMLS Policy Committee and NMLS Modernization Steering Committee.

Industry also noted that the communication of the Phase 2 requirements will be very important and with the existence of the standard Phase 1 review, license-specific requirements should be minimized as much as possible to ensure greater consistency and efficiency across states.



CSBS will take this into account during their review of license-specific requirements, but ultimately, it is up to the state agencies to fully adopt the Model.

One commenter noted that since Phase 2 documents for each state will be different, the time allowed for the completion of Phase 2 should be decided upon by each state. Required timeframes for Phase 2 reviews are not anticipated to be included in the Model. State agencies will be responsible for enforcing their own rules or statutes.

Renewals

Industry has the following comments about the renewal process in the Modernized NMLS.

- The renewal process must be considered in the design of the application process, as it is labor intensive for both Industry and Regulators.
- Renewal deadlines should be uniform.
- State-Specific Renewal requirements must be up to date and easily accessible.

Modernization work has not begun on renewals, but CSBS and the Policy Committee agree that these items must be considered.

Temporary Authority

Industry members were also concerned about how the Model will work with and affect the timing for Temporary Authority (TA) for Mortgage Loan Originators, particularly the 2-day requirement for reviewing for TA. The MBA is concerned that the model will not adequately accommodate TA, for which the proposal is largely silent. When the Model is repropose for the mortgage industry, it must clearly communicate how TA will be implemented. Modernization work has not begun in earnest on the mortgage loan originator licensing process, which will include TA, but CSBS and the Policy Committee agree that these items must be considered. Information about how TA will be handled in the new system will be included in the system build for MLOs.

Single-State Process

The NPA is concerned that it seems the Model is designed to serve multistate non-depository providers while the vast majority of pawnbrokers are smaller “mom and pop” shops, operating in one state. The NPA is concerned that the Model is not appropriate for the pawnbroker industry. The NPA noted that a single-state process be designed for single-state operators and smaller organizations. The Model and modernized NMLS must work for all companies, no matter what industry or size. This concern will be further considered as the Model is expanded to other industries after MSBs.

Document Management

To promote a more user-friendly experience and properly retain state-required documents after a license is approved, the FIN urges CSBS to consider creating a separate, secure document sharing repository outside of the Company Form (MU1) to capture additional information needed for license maintenance, such as volume reporting, state-specific notifications and



updates, and amendments to the licensee's original application materials. The company form should only be used for information related to the license application process. The ETA commented that states should retain their own records and not use NMLS as their record retention system. They noted that regulators that rely on the NMLS for document retention often request that information be added to NMLS that is not in connection with a license application (e.g., an annual report of volume) which necessitates the refiling of the entire license application. To address this problem, NMLS should create a file-sharing system within the NMLS platform, but outside the MU1, so that licensees can share notifications, volume reporting, and other materials that contribute to the maintenance of the license throughout the year. Document management is a component of the modernized NMLS that still needs analysis. The goal of the new system is to ultimately provide a file-sharing repository for all documents and information needed for the licensing process.

Core Requirements & the Licensing Requirements Framework

The majority of industry commenters had positive remarks about the proposed Core Requirements and the Licensing Requirements Framework. Quicken Loans noted that they support the proposed Framework as it will help state regulators to make better-informed licensing decisions through standardized data collection. The MSBA believes that the proposal captures the necessary components of information that should be considered "Core." Quicken Loans also noted that the proposed Core Requirements aligns well with current expectations for general requirements and will continue to provide uniformity around the required information and documentation.

The NPA noted that they do not see benefits from obtaining the Core information from all types of non-depository providers and does not see that the proposed information pertains to all types of licenses. NPA believes that the proposed push towards uniformity of information is more a step towards a single style of license than it is a method of assisting regulators or licensees. They believe that licensure that fits the business model being regulated makes more sense. The NPA also notes that many of the Core Requirements should be moved to the Business-Specific or License-Specific Requirements, so they are not required of all entities.

Key Individual Wizard

Related to the Key Individual Wizard (KIWI), Freedom Mortgage Corporation commented they object to the uniform application of standards to determine who is or is not a control person with respect to management and/or functional area responsibility within the company. Freedom believes that the designation of control persons is a function that belongs to the company and should not be based on job title or a similar automatic designation. Companies are in the best position to determine who the individuals are within the company who can control company policy. Today, all states define who is a control person and companies then interpret and give their best judgement of who should be identified. The KIWI will provide industry with a consistent definition of who should be identified and vetted and provide an automated process to enter this information in a uniform way. The KIWI Working Group, comprised of regulators and industry, also determined that job titles are not necessarily dispositive of control, but rather focused on key functions and areas of risk within a licensee. Accordingly, the KIWI will walk the



applicant through a series of questions that will identify key people in the areas of management, ownership, functional risk areas, and industry specific roles.

Related to Affiliates & Subsidiaries, Freedom Mortgage Corporation noted their concern that there is not a consistent definition of ownership interest (based on percentage of ownership and/or voting rights). The definitions vary by state with respect to who is a control person with respect to an ownership interest. There needs to be a consistent definition of Affiliates/Subsidiaries. Through the KIWI, a consistent definition of ownership and who will be identified through specific business rules has been created, including affiliates and subsidiaries.

Quicken Loans suggested the KIWI functionality provide brokers with the ability to export time-stamped and approved application information directly from NMLS to send to lenders, allowing brokers and lenders to collaborate more efficiently and provide confirmation of when applications have been vetted and cleared. Quicken Loans also suggested that KIWI functionality be changed to allow information to be completed on the same page, instead of multiple pages. This suggestion will be considered during the development of KIWI in the modernized system.

Encore Capital Group asked that the personal information required through KIWI be limited to executive officers. They are concerned with protecting the privacy and confidentiality of personal information for managers and other employees who are not part of their executive team. It is important to note that while the KIWI works to streamline the process to identify key individual and control individuals, it also standardizes who should be vetted. For example, in the last section of the Wizard, the applicant must disclose the manager for each of the business activities the applicant has identified. These individuals are disclosed, but not vetted, so no personal information is collected on these individuals unless they appear elsewhere in KIWI.

The ETA is concerned with the number of additional individuals that would need to be vetted under KIWI and asks for an opportunity for industry to comment on the definition of key individuals. CSBS and the KIWI Working Group do not believe the KIWI will greatly increase the number of vetted individuals, however, it may change who the vetted individuals are.

NPA commented that the requirement for “ownership entity” appears to be inconsistent with the Beneficial Ownership requirements imposed by the FinCEN regulation and the more recent statutory requirements from late 2020 legislation. They suggest that CSBS and the Policy Committee harmonize this aspect of the proposal with requirements that FinCEN has implemented or will implement. CSBS will review this suggestion with the KIWI Working Group and make updates as necessary.

Disclosure Questions

TMSRT commented that it is essential that disclosure questions in NMLS for money transmission companies be amended and narrowed to track the types of disclosures required under state money transmission statutes. The NMLS disclosures were prepared for the mortgage industry before NMLS was used for money transmission licensing. Not only do the



questions not align with the types of disclosures that are required by state money transmission statutes, but they also are not expressly limited to the U.S. activities of the licensee. Disclosure questions should be U.S.-specific, more limited to matters relevant to the safety and soundness of the licensed money transmitter and drafted with precision so that they are easily understood by licensees as well as regulators. Disclosure Questions are currently being re-evaluated by the NMLS Policy Committee through a separate engagement process, which will also include a public comment period. This comment will be evaluated during that process.

IT/Cybersecurity Policy & Web Addresses

The NPA noted that most pawnbrokers are not required to provide an IT/Cybersecurity Policy or the designation of an Information Security Officer currently. TMSRT noted that because members are already licensed and operating as money transmitters, the nature of the website address requirement in the Core Requirements is not material. However, the proposed Core Requirements asks the applicant to respond to whether it is “accepting applications or transacting business through [a] website.” This question should be separately tailored to money transmitters (who do not “accept applications”) and other types of licensees (e.g., lenders) that may do so. Additionally, applicants should be able to answer this question prospectively as well, i.e., “Is your company transacting (or planning to transact, once licensed) business through this website?” so they can answer this question even if applications are pending and they have not started engaging in regulated money transmission activity.

Based on the comments, the NMLS Policy Committee approved the following changes to the Core Requirements.

- *Change “Is your company accepting applications or transacting business through this website?”⁸ to “Is your company transacting (or planning to transact, once licensed) business through this website?” This question is asked for each web address reported by the company.*
- Redefine the IT/Cybersecurity Policy⁹ requirement, so that it can be more easily applied to companies of all sizes and industries. This requirement is being evaluated by the NMLS Modernization Steering Committee and the NMLS Policy Committee.

Identity Verification (IDV)

Many industry commentors support increased account security and the goal of all NMLS users having a single login, however, commentors had questions around how third parties will be able to continue to support their clients. The NPA commented that the concept of Identity Verification for a function as crucial as license applications and renewals makes sense. The MSBA commented that the current proposal for each user to have a single login that will be associated and permissioned for the various applications and records the user will manage within the NMLS is an appropriate goal. AFSA supports higher security standards as part of the verification process, but they also recognize that this may create difficulties for companies that

⁸ Page 9 of the [Proposal](#).

⁹ Page 13 of the [Proposal](#).



use internal specialists to assist in the process. Quicken Loans also noted their support of any efforts to advance security within the NMLS platform to protect licensee information.

The ETA commented that they did not fully understand why the current process for creating a user account should be changed. An IDV process for each individual accessing the system will support the NMLS modernization goals of creating a single sign-on, improving self-help features and implementing a strong Identity and Access Management solution.

The MSBA commented that the development of IDV and account creation requirements must accommodate both large and small companies; small companies may have multiple roles within the company, and large companies may use third parties. The needs of small companies and large companies are both being considered during the development of all parts of the modernized NMLS. The account creation and IDV process will alleviate the challenge of small company users managing multiple account as everyone will have one user account where they can access all records they manage. It will also allow authorized third-party users to support multiple companies more easily, through a single user account.

Multiple industry comments focused on the need for companies to be able to retain the ability to view and assist associated individual in NMLS, including mortgage loan originators and control individuals. Some comments were:

- Freedom Mortgage Corporation commented that their licensing staff needs to retain the ability not only to view and audit an individual MLO's account, but also to add/edit the MLO's information, create filings, add documents, etc. on the MLO's behalf. The proposed IDV process seems to imply that the Individual MLO would be the only person authorized to update their NMLS record, which would make assisting MLOs with licensing issues much more difficult for companies.
- AFSA noted that there may be some efficiency lost in the process due to multi-factor authentication. They support added flexibility that would come from allowing a company to designate and assign certain limited permissions to accounts to access information on behalf of an individual to continue assisting with the process.
- Quicken Loans commented that the system should allow specific categories of individuals, at the request of the companies, to have limited access or account permissions to sign-in on behalf of their licensees to complete certain license application tasks without the need for dual or multi-factor authentication. Limited access should maintain restrictions on attestation forms and other confidential information which must only be viewed and/or completed by the actual licensee. This will provide companies with the needed internal visibility into the status of their licensees' applications to assist with completion, as well as improve turn times, and better communicate and resolve any deficiencies.
- The MBA commented that the modernized NMLS should permit the support staff of a sponsoring company to have access to an MLO's account to ensure that the information provided is complete and correct prior to attestation.



The purpose of the IDV in the modernized system is to confirm someone's identity and leverage this to support single sign-on. Features for companies to assist their MLOs and control individuals in NMLS are not expected to be eliminated in the modernized system.

CSBS and the NMLS Policy Committee recognize the need and desire of large companies to assist their associated individuals with the system.

The ETA suggests that CSBS create a delegate system that would allow Executive Officers to delegate a trusted person to be verified for them. Providing the option of trusted delegates who are responsible for managing a licensee's license affords companies the flexibility to streamline their operations as well as improve the overall efficiency of the system. The ETA also recommends that control persons be able to delegate the attestation process to a trusted company representative to verify information on their behalf for administrative efficiency. All users will be expected to verify themselves. CSBS understands the desire to have appointed individuals process certain tasks on behalf of Key Individuals, and that will be a consideration for the Modernized system. Requiring IDV would further strengthen the confidence of these appointments within the system.

However, if a delegate system is not a feasible option for states, ETA suggests that an option be made available for officers to complete the identity verification on computer software designed for desktops. This will depend on the vendor ultimately selected, but CSBS expects the solution to be able to be easily completed by most users.

The FIN commented that at most one representative of an organization should be required to go through the intensive process of establishing an NMLS organization record, and then that person should be authorized to add additional users (both within and outside the organization) without them being required to go through the same process. The purpose of the proposed IDV process is not to validate the identity of one person to manage one company, but to allow individuals to manage multiple companies, while accessing a single account in NMLS. It is also to improve data quality of the account being created in the new system, ensuring that the individual creating the account is who they say they are.

ETA urges CSBS to provide further consideration to the identity verification proposal. Modernizing identity verification to the digital age should not make the process more cumbersome than performing the same process on paper. ETA felt that the process outlined as an example in the proposal is cumbersome, unnecessarily confusing, and raises a host of privacy concerns, especially for executives of high-profile companies. CSBS expects the final IDV solution to be simple and easy for users. CSBS will endeavor to implement a process that does not add burden or create inefficiencies.

Additional Areas of Note

Adoption (Lack of Uniformity)

Freedom Mortgage Corporation commented that they support the concept of NMLS modernization but believes that it must have 100% state buy in and participation to work



and be effective. Many of the current issues with the state licensing process are due to the wide disparity in licensing requirements and procedures among the states. As stated

above, CSBS acknowledges and shares these concerns as they are rooted in agency adoption of the Model.

While the FIN appreciates the efforts of CSBS to encourage more consistent licensing and supervision for national money transmitters through NMLS, licensees are still subject to a diverse array of state-specific requirements. The MBA commented that they believe that for the modernization approach to work, state regulators must limit the amount of activity required outside of NMLS. Inconsistent use of NMLS among agencies has long been discussed by MBA members. Without full state regulator adoption and implementation there will continue to be a bifurcated system; with some states fully embracing the NMLS and this proposal and others that do not adopt or accept the modernization approach and still require certain documentation to be provided outside the system. The MSBA expressed concerns that the disparate acceptance of the underlying Model Uniform Money Transmission Modernization Act can place even more burdens on companies trying to operate efficiently within the State Financial System and impede innovation. The TMSRT commented that NMLS creates a number of compliance challenges for licensees because it is a mechanism through which licensees must seek to meet legal obligations, but NMLS itself does not implement any specific statutes or regulations. The result is that licensees must parse language in NMLS to try to answer NMLS-created questions, but such questions are not drafted to map directly to underlying statutes and regulations (and, at this point, they cannot be, because the underlying statutes and regulations are not consistent). Therefore, they encourage CSBS to work with state regulators to focus on developing and implementing a model payments law, and then building a new NMLS based on the outcome of, and adoption of, that law.

Implementation

The MBA commented that they are supportive of the proposed rollout of the modernized system, where the MSB industry will be the first to use the new system followed by the remaining industries. Because MSBs represent a smaller footprint within NMLS, they are an ideal starting point for implementation as necessary improvements can be made without impacting many system users and licensees. The MBA suggests the overall implementation plan should include a 60-day evaluation period after the MSBs have been onboarded onto NMLS before CSBS moves forward with other industries, given the complicated regulatory environment among states, specifically for mortgage lending. This comment will be considered while developing the new system implementation plan.

Quicken Loans noted that the proposal does not address how existing licensees will onboard on the modernized NMLS and whether they will follow the same process as new applicants or what the timeframe will be for the transition, specifically if it coincides with renewal. The ETA recommends that existing licensees be "grandfathered" into the Model rather than be required to follow the same process as new applicants. CSBS is



currently working on the process for existing licensees to transition onto the new system. More information will be shared as soon as it becomes available.

Requirements Tracker

The MSBA, FIN, and ETA suggested that a central database integrated with NMLS be developed to track all licensing requirements for all states. This database should include document requirements, amendment requirements and should automatically notify licensees when their requirements change. Ultimately, this is a goal of the modernized NMLS. CSBS recognizes this as an important need for industry to successfully manage their licenses and remain in compliance.

Criminal Background Checks

The ETA commented that the criminal background check (CBC) process and requirements should be standardized across all states using NMLS. They also noted that state CBC requirements should be eliminated. This will limit the unnecessary sharing of duplicative information. CSBS encourages all states to eliminate their state CBC, because the FBI CBC contains all information that state agencies would find in their state CBCs, since the FBI CBC should be a composite of all state records. However, eliminating state CBC requirements is up to each state.

The ETA also suggested that the modernized NMLS should have the ability for companies to withdraw CBC requests to prevent unnecessary disruption in their operations, (i.e., when a key individual is unable to get fingerprints done, this holds up the company's submission.) This comment will be considered while developing the CBC process in the modernized system.

Call Reports/ Financial Reports

Through the modernized NMLS, the FIN suggests that CSBS should consider expanding the call report to include more information required by all states, which in addition to creating efficiency and uniformity, would reduce the amount of non-NMLS filings required of licensees on a periodic basis. One industry commentor noted that industry would significantly benefit from the standardization of a company's financial condition reporting. In addition to providing financial statements and call reports to NMLS on a quarterly basis, companies are also often obligated to provide separate financial reports to NMLS states. Industry commentors find this unnecessarily burdensome.

The modernized NMLS should standardize state requirements and incorporate the requirements into the NMLS Call Reports, which will make the process more efficient and uniform across the states. The FIN commented that states should conform their reporting requirements to the standardized call report or refrain from separately requesting duplicative information. The MSBA commented that financial statements should be consistent and used by all states with the ability for a company to upload state-specific transaction volumes. These comments will be considered while developing the call report functionality in the modernized system.