



Public Comments Received on NMLS Modernization Mortgage Business-Specific Requirements March 16, 2023 – May 15, 2023

On March 16, 2023, on behalf of the NMLS Policy Committee¹, the Conference of State Bank Supervisors (CSBS)² invited public comments on the Mortgage Business-Specific Requirements. CSBS received 61 responses to its Request for Comment on the Mortgage Business-Specific Requirements. Of the 61 responses, 8 were succinct stating they were in support of the proposal and did not comment on any of the proposal specifics, while 5 stated they were not in favor of the proposal and did not comment on any of the proposal specifics. All of the responses will be reviewed and analyzed. Once the review is completed, a detailed response including disposition of the comments will be posted.

Multiple responses included comments regarding CSBS/NMLS exceeding its statutory or regulatory authority. CSBS develops and maintains the NMLS as required by the statutory authority of the SAFE Act. §5102(6). As stated on page 3 of the Proposal, this proposal was drafted by the NMLS Policy Committee who acts on behalf of the state agencies that use the NMLS.

[Click here](#) to access the full proposal.

Click on the organization name below to review their comments on the proposal.

[4 Lights, LLC](#)
[A & M Home Loans](#)
[A10 Capital](#)
[Affordable Mortgage Partners](#)
[AIME](#)
[All Reverse Mortgage](#)
[All Star Real Estate and Loans](#)
[American Dollar Funding](#)
[Assure Real Estate and Finance](#)
[Banking Mortgage Services Corporation](#)

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

² Information about CSBS can be found [here](#).

[Beacon Valor](#)
[Bison Ventures](#)
[Buzzery, LLC](#)
[Cal Home Investments](#)
[Coastal Pacific](#)
[Columbine Mortgage](#)
[Community Home Lenders of America](#)
[Community Mortgage and Loan](#)
[Factoring Express](#)
[Fairway Mortgage](#)
[Financial Links](#)
[First Place Mortgage](#)
[Freedom Mortgage](#)
[Grander Mortgage](#)
[Impact Mortgage Management Advocacy Group](#)
[La Casa Mortgage Company](#)
[Lend 4 You](#)
[Linkage Financial](#)
[Loans Direct](#)
[Lone Star Reverse Mortgage](#)
[Lucey Mortgage](#)
[Manufactured Housing Institute](#)
[Mayer Brown](#)
[MBA](#)
[McGlinchey Stafford PLLC](#)
[Monument Financial](#)
[MortgageFinancing.com](#)
[Motto Mortgage](#)
[New Home Lending](#)
[Odyssey Business Development LLC/DBA Elite Loan](#)
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[Sanborn Mortgage](#)
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[Southland Home Finance](#)
[Texas Land Developers Association](#)
[The Berkley Group](#)
[The Loan Store](#)
[Two River Mortgage and Investment](#)
[UC Mortgage](#)
[United Lending and Realty Partners](#)
[United Mortgage Funding](#)
[Vanguard Home Finance](#)
[Ven-Ken, Inc](#)
[VIP Mortgage](#)
[Zenith Home Loans](#)

4Lights LLC

Balaji Babu

From: Balaji Babu <balaji.babu@gmail.com>

Sent: Monday, May 1, 2023 3:15 PM

To: Comments <comments@csbs.org>

Subject: [External] Comment on Mortgage Business Specific Requirements

I agree with all of the points in the proposal.

--

Balaji Babu

Ph: 657-464-3765

From: Anna McElroy <anna@amhomeloansllc.com>
Sent: Monday, May 1, 2023 10:39 AM
To: Comments
Subject: [External] Reminder: Request for Comment: Mortgage Business-Specific Requirements Proposal

Follow Up Flag: Follow up
Flag Status: Completed

Good morning,

This is my first time doing this, I wanted to know if there is a rubric or something along those lines? I just agree with what was presented and that many safety measures should be put in place as our industry along with many others is entirely paperless and more prone to cybersecurity issues. Thank you!

Anna McElroy
Mortgage Broker and Owner
A&M Home Loans LLC NMLS#2348627
Cell: 407-492-7336
Anna@amhomeloansllc.com
Individual NMLS# 1111332

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From: Jackie Cox <jcox@a10capital.com>
Sent: Monday, May 8, 2023 1:36 PM
To: Comments
Subject: * [External] Comment on the Mortgage Business-Specific Requirements Proposal

A10 Capital, LLC is a licensee via NMLS under the California Finance Lender License law.

The difficulties that we have in utilizing the NMLS system (Core Requirements, Business-Specific Requirements, and License-Specific Requirements) is the lack of differentiation between requirements, information requests and questions as they relate to (1) consumer loans (both unsecured as well as residential mortgage loans), (2) SFR loans, and (3) commercial mortgage loans (CRE CLOs). It would be extremely helpful in streamlining and clarifying system requirements if the questions/forms clearly differentiated at each level (Core, Business-Specific Requirements and License-Specific Requirements) between these categories of mortgage lenders.

This would be helpful not only in filing for new license(s) and/or renewal(s), but also as it relates to "Current License Items". By way of example, A10 Capital, LLC is not required to provide MCR-Expanded; however, it continues to pop up and show up as past due when we log in to check Current License Items.

Thank you for your consideration of our remarks.

Jackie Cox

Principal, SEVP, Legal & Closing Manager



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www.A10Capital.com

[website](#) | [linkedin](#) | [twitter](#)

From: Christopher Kilbane <chris@mortgage-partners.com>
Sent: Thursday, May 4, 2023 2:30 AM
To: Comments
Subject: [External] Public Comment Process -1912716

To whom it may concern;

My name is Chris Kilbane, Broker/Owner of Affordable Mortgage Partners PC NMLS 1912716. I wanted to send along my thoughts about the proposal.

I understand the need for the proposal, I am all for a much more user friendly, less redundant, streamlined process.

What I would hope to see happen is a landing page for all of my companies specific contacts within each state, so I know who I should reach out to, provided I have a question.

I also believe that the mortgage call reports should be reported by the lender for the brokers, as they have all necessary information regarding files. Any lender will have record of any loan started, stopped, or completed by my company, I should have to provide a list of lenders whom I sent loans to along with names of clients and that should be able to cross reference data provided by lenders. On top of specific states, essentially asking for any and all data surrounding any loan processed during the period (i.e NC and SC in particular)

I am more than okay with any sort of information that helps clarify 3rd parties that provide services to mortgage lenders.

But I think what is necessary is to close the loop hole on developers being able to offer credits solely if you go with their own mortgage company. It is a blatant case of steering and Respa section 8, I don't see how that is not considered a kick back. with the amount of discounts they are able to provide it makes it impossible for any other broker/lender compete with their inhouse mortgage, and those developer credits should be available to any client regardless of their choice of Lender to work with.

I think audited financials should not be a requirement for start ups as capital is not as readily available when you first get going. But after being in the business 5 years to enter into a new state, that should be a requirement, as one should have things figured out by then.

I know some of my comments don't go with the proposal, however, I felt they needed to be addressed.

Affordable Mortgage Partners 

Christopher Kilbane, Founder

Cell: (904) 382-9746

NMLS ID: 1247891

Company NMLS ID: 1912716

chris@mortgage-partners.com | [AMP website](#)



6800 College Blvd.
Suite 430
Overland Park, KS 66211



May 15th, 2023

RE: [Public Comment Request: Mortgage Business-Specific Requirements Proposal](#)

Dear NMLS Policy Committee,

The Association of Independent Mortgage Experts (AIME) appreciates the opportunity to comment on the National Mortgage Licensing System's recent proposal for exemptions made for wholesale mortgage professionals and for mortgage brokers in particular.

AIME is a non-profit, national trade association representing over 65,000+ independent mortgage brokers in all 50 states, Puerto Rico, and Guam. The association works to protect and support our members and grow the wholesale mortgage channel with curated tools, industry-leading resources, education and training, sustainable partnerships, and increased access to technology. AIME writes to you today cosigned by our wholesale industry partners.

AIME agrees with the overall intent of this proposal but has an important recommendation on the method in which the NMLS identifies companies that are operating strictly in brokering activities. We first want to stress the importance of continuing to exempt brokers from the audited financials requirement. Preparing audited financials would cost the average mortgage broker \$10,000 or more.¹ An annual cost of that magnitude is extremely onerous for small and mid-sized brokerages and risks putting the majority of brokerages out of business.

We believe this exemption must remain in place and would like to provide commentary on the execution of this exemption.

First, it's important to note that not all states have license categories for mortgage brokers. In fact, there are **18** States that do not have broker-specific licenses, but instead, Brokers and Lenders have the same license type. The states in question are Alaska, Colorado, Connecticut, Hawaii, Illinois, Kansas, Louisiana, Maryland, Minnesota, Missouri, Nebraska, Nevada, New Mexico, Ohio, Oregon, Tennessee, Texas, and Utah.

We believe it makes sense for the NMLS to require that every state adopt a broker-specific license option. It would not only add welcome clarity to the audit process, but it would also make data-collection and channel comparison far more straightforward. In lieu of full adoption of broker-specific licenses, AIME proposes the following alternatives to identify a company that strictly permits brokering activities:

1. Attestation - A formal attestation at the risk of steep penalties/license revocation for false statements.
2. Surety Bond Coverage - If a company engages in lending activities, it will be reflected in its Surety Bond coverage. It would be clear from the surety bond coverage whether a company engages in lending activities or not.
3. Call Reports - Quarterly call reports require the disclosure of credit lines. The lack of credit lines is evidence that a company strictly engages in brokering activities.

This issue is incredibly important to the health of the housing market. Under the NMLS proposal, operating small mortgage brokerages in the states with no broker-specific license will be far too costly. The proposal will result in materially less competition for the consumers in those states, and competition is critical to ensuring that consumers receive the best mortgage available for their needs.

In addition, we encourage the NMLS to adopt unaudited financials as the required alternative. Compiled and reviewed financials are less costly than audited financials, but the financial consideration is still extremely burdensome. Compiled reports average \$750 to \$2,500² and reviewed financials \$1,500 to \$5,000.³ Brokers have little choice but to pass these costs on to the consumer. Furthermore, there is a discussion within the accounting community about the

¹[Forbes](#)

²[ELTCPA](#) 1 of 2

³[ELTCPA](#) 2 of 2

appropriateness of CPAs providing reviewed or compiled financials for companies they already serve.⁴ We have been told that many accountants will not do it. However, the lenders that brokers fund loans through are subject to these requirements, so the guardrails would still be in place.

AIME thanks the NMLS for the opportunity to be heard, and we appreciate your willingness to consider changes to this proposal. If the NMLS considers other alternatives, we would appreciate an opportunity to provide feedback once again.

We are available to schedule a conversation with AIME's Chairman & CEO, Katie Sweeney, and our President of Advocacy, Brendan McKay, to discuss how we can help support the proposed improvements to Regulation Z.

We look forward to your response and to working together to ensure that mortgage brokers can continue to serve their consumers and communities as fairly as possible. Please email our team at advocacy@aimegroup.com for additional information or to set up a conversation.

Thank you for your consideration of our recommendations.

Sincerely,



Katie Sweeney, Chairman & CEO



Brendan McKay, President of Advocacy

AIME Advocacy

Association of Independent Mortgage Experts

(Phone) 215-720-1794

aimegroup.com

American Financial Resources Inc. (AFR®) Wholesale
Change Wholesale
Equity Prime Mortgage (EPM®) Wholesale
Flagstar Bank®
Fundloans
Mutual of Omaha®
Plaza Home Mortgage™
PowerTPO™
Paramount Residential Mortgage Group (PRMG™)
RCN Capital, LLC
REMN Wholesale
The Loan Store®
Windsor Mortgage

⁴[CPAHallTalk](#)

From: [Mike Branson](#)
To: [Comments](#)
Subject: [External] Public Comments for Mortgage Business Specific Requirements Proposal
Date: Monday, May 1, 2023 1:50:13 PM
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)

My name is Michael G. Branson, NMLS #14040 and I am the CEO of All Reverse Mortgage, Inc. NMLS #13999. We are a small lender located in Southern California. My comments will be brief. We currently go through all this and more every time we apply for a state license or do an exam with any state entity. We just completed sending in all this information and more for our periodic examination with one of our approved states and will await their findings. If we find that by putting all this information into NMLS it eliminates the need to supply to the states for periodic examinations (or greatly reduces the information and expense required for them to review us), then the additional labor to place all this into the data base would be worth the time and effort. If, however, we find that we still need to produce all of this documentation each time a state does their periodic examinations of our company, then this is an exercise in futility and an added cost for nothing.

I am concerned about the 5-day requirement for reporting Reportable Incidents. If I change my warehouse line, change operating systems, alter staff, etc., I may not be thinking about getting on NMLS and reporting it at that time. We have just 13 operational staff members in the entire company including the President and the CEO (we currently close 20 loans per month). Sometimes I feel like it is hard for entities like NMLS to remember that our function here is to serve borrowers by closing reverse mortgage loans. We have times that are busier than others and there are times when interest rates are changing rapidly or borrowers' rates are at risk for other reasons that might mean that notification of many changes are not necessary. We have always been free to manage in the past but we be pushed to weigh against regulatory deadlines which might be arbitrary. I would rather see that verbiage changed to reflect just those catastrophic events that could endanger the company or borrower security and not be so wide as to encompass third-party vendors and termination of lines that have already been replaced that have no ill-effect on the company or operations.

I don't see anything here that we aren't currently doing for someone, somewhere. I would like to suggest that lenders (investors who buy closed loans) be allowed to use this information as well since they now require that other lenders who sell loans use a system called Comergence to also input much of this information to be approved to sell loans in the secondary market. The more times lenders/brokers are required to input information into multiple sources, the more the opportunity exists to miss something.

Michael G. Branson, CEO
All Reverse Mortgage, Inc. (ARLO™)

TOLL FREE: [\(800\) 565-1722](tel:8005651722)

DIRECT: [\(714\) 385-9800](tel:7143859800)

FAX: [\(800\) 515-1968](tel:8005151968)

APPLY NOW: [Reverse.Mortgage/Apply](#)

Celebrating 16 Years of Excellence A+ BBB (5-Stars)



HUD Lender: #26031-0007 NMLS: #14040 (personal)
#13999 (All Reverse Mortgage, Inc.)



From: [MARYANN LIM](#)
To: [Comments](#)
Cc: [MARYANN LIM](#)
Subject: [External] Comments:
Date: Tuesday, May 2, 2023 1:34:48 PM

Comments on NMLS Modernization - Mortgage Business Specific Requirements.

First of all we recognize the work done by the NMLS and CSBS to provide us with more detailed information and guideline regarding the mortgage licensing and registration process.

The proposal itemizes all the important steps required to improve further standardization of the application and registration process.

Do you agree that all contacts listed should be required for companies completing the Mortgage Business-Specific Requirements ?

-- I believe that the company's contact have their specific designation and that I would only give a contact the particular complaint that the company has received. The company Contacts clearly expresses who to address regarding what complaints the consumer may have; whether legal, accounting, cybersecurity issues, etc. and who is responsible to address this complaint.

--Yes - There may be other relevant contacts to mortgage activities that may be required -- for example the servicing company who services the loan, title companies, in case some issues arise regarding title, insurance companies, etc.

It may be helpful to list a third-party as a contact responsible to the contact types listed in the proposal ? I believe it may be helpful to have a third-party responsible who may know more in resolving a specific complaints that is outside the expertise of the inhouse contact.

When listing a third-party contact, a company will be deemed to have expressly authorized a state agency to contact the third-party without further approval from the company. Does this raise any concern:

Yes it would raise concern; however it will be helpful to execute an agreement between the third-party and the state agency stating that the authority to address any concern has to be reviewed and approved by the company.

The Periodic reporting has emphasizes the importance the quarterly reporting (MCR), and the Audited Financial Statements annual filing any reportable incident, which may affect the business.

Company Operated Work Locations' Information - kind of business, who is the authority in charge, physical address, mailing address, branches, if any, and doing business as.

Are there any other documents commonly required for companies in mortgage lending and

servicing business activities not included in the Mortgage Business-Specific Requirements.

Financial Statements -- This section has covered a complete requirements needed to start up a business **except:** that I believe the \$500,000 gross is rather high in starting a business.

The required documents to be submitted to a certified tax preparer or accountant is a completed Annual and year-to-date Balance Sheet; an annual and year-to-date Profit and Loss Statement.

For companies that is obtaining a license for brokering activities -- I believe that an Annual Balance Sheet and a year-to-date Balance Sheet and an Annual Financial Statement is all we need.

After reading and reviewing each item in the proposal, I have nothing to add. It is very detailed and well explained.
The NMLS Company Form for reference is very complete.

Thank you,

Norma Simpao Lim, Broker (B.0979362)
All Star Real Estate & Loans
Real Estate Connections, LLC (B.0167899)
MLO#401808; NMLS # 245562
NV Business License # 0006724
nslim4246@msn.com; Tel 626-643-2280

From: [Alka Swali](#)
To: [Comments](#)
Subject: [External] Comment on Mortgage Business Specific Requirements
Date: Monday, May 1, 2023 1:50:15 PM

Good afternoon, Audited financial Statements will be a real burden on small business brokers. 2023 interest rate has spiked so much since 2022, business volume is down for everyone at the same time cost of service has gone up. Please reconsider all small business owners.

Alka Swali
Senior Loan Officer

American Dollar Funding
894 Green Street, Suite D
Iselin, New Jersey 08830

732.636.1500 - Office
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908.578.7962 - Cell

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From: Jacob Mirzaei <jacobmirzaei@gmail.com>

Sent: Friday, May 5, 2023 12:48 PM

To: ombudsman <ombudsman@nmls.org>

Subject: [External] NMLS Policy Committee,CSBS

NMLS Policy Committee,CSBS

RE Public Comment Request;

On behalf of Assure Real Estate & Finance,NMLS ID 2321283 I am pleased to respond to your proposal as follows;

1- I agree that all contacts listed should be required for companies completing mortgage business 2-also other contacts which are relevant to mortgage activities and should be required 3- Yes It is very helpful to be able to list a 3rd-party as a contact responsible for the contact types listed in the proposal,

4-When listing a third-party contacts company will be deemed to have expressly authorized a state agency to contact the third-party without further approval from company's long as there is no conflict of interest ,other wise there is no concern.

Periodic Reporting

In my view all incidents,Cybersecurity,Catastrophic Event,should be reported within few hours, that should apply internet companies also.,which constantly monitor us.

Documents

No it should be any more documents, except hard money lending and loan sharks.

which the banks and credit card companies doing number on the public

On Financial Statement for start-up companies the process should be much easier, and should be excluded from financial statements,Unless it is LLC,, Corporation

I agree with start-up company should not be bothered with audited financial statements.,and less audited financials.,or unaudited makes more sense.

I agree the proposal states a company solely engaged in third-party mortgage

processing, or underwriting and that is not a start-up, should be bounded, and they may be able to provide less than audited financials..

I am not in favor of extra document requirements, it is bad for environment, let us make life easy, it is already difficult to do business as it is.

Location-

All the business locations must be informed, business address could be commercial.or residentially person may have physical business addresses long as resident address is known, that is okay also.

Key Individual,If he has resided outside the US more than a year should have a background check.

Submitted,by Jacob R Mirzaei Cell 424-328-8807

E-Mail Address jacobmirzaei@arefin1.com

8939 S Sepulveda Blvd,suite 102 LOs Angeles,CA 90045

From: [Arturo Abascal](#)
To: [Comments](#)
Cc: ["Rosi Gaston"](#); ["Ricardo Moreno"](#)
Subject: [External] Comments on Business-Specific Requirements.
Date: Monday, May 1, 2023 11:40:36 AM

Documentation:

1. Currently we are required to provide an Audited Statement 90 days from the end our fiscal year. I would certainly welcome a proposal for Lenders with volume 100 or less a year be required a compiled report instead of an Audited Statement. Audited Statements are ranging on the average between \$15,000 to \$18,000/year which is an overwhelming burden on small Companies such as ours with production of less than 100 per year.
2. Policies Requirements: We are overburden with requirements as it is. We report to NMLS quarterly, HUMDA yearly and we pay for the use of this system to A subcontractor (Quest Soft) a licensing fee. You are now proposing, that added to this, we should submit BSA/AML, OFAC, Patriot Act, GLB, Disaster Recovery, Etc. again this is an added layer of requirements which means an added costs to account for.

The Mortgage Industry has not fared well in these to last years with the ever increasing hikes of Interest rates that have narrowed the field of people that qualify making the American Dream of owning a home beyond their grasp. Now is not the time to "Modernize" the NMLS by creating more paperwork and ridiculous requirements that we do not need.

Sincerely,

Arturo J Abascal
Banking Mortgage Svcs Corp.
5820 Bird Road
So. Miami, Florida 33155
305-445-9003

From: [Beacon Valor Mortgage](#)
To: [Comments](#)
Subject: [External] Public Comments 2023-1
Date: Monday, May 1, 2023 1:28:36 PM

For 2023-1 public comments

I'm in favor of reporting any security breaches

I'm NOT in favor of having to submit audited financials to the NMLS or any other mortgage regulator as a mortgage broker. Certainly the DFPI for example would may require this for direct lenders, but as a mortgage broker it's enough already that we have to submit quarterly call reports as well as an annual financial report. It's an additional expense for the company owner to have to pay an accountant to do an audited financial report and is totally unnecessary when we are already reporting our closed loan activity and compensation amounts per quarter.

Thank you

Regards,

Catmy Bui

Broker
NMLS: 2154361





May 15, 2023

Conference of State Bank Supervisors
State Regulatory Registry, LLC
1129 20th Street, NW, 9th Floor
Washington, DC 20036

Re: Request for Comments - Mortgage Business-Specific Requirements

To Whom it May Concern:

In response to the Conference of State Bank Supervisor's (CSBS) Request for Proposal, Bison Ventures LLC ("Bison") submits the comments below.

Business Activities Included in the Mortgage Business-Specific Requirements

Question: Do you agree that all companies engaging in mortgage lending and servicing business activities should be required to complete the Mortgage Business-Specific Requirements?

Response: Yes. Bison agrees that all possible business activities that may be conducted by mortgage businesses should be included in the Mortgage Business-Specific Requirements.

Contacts

Question: Do you agree that all contacts listed should be required for companies completing the Mortgage Business-Specific Requirements?

Response: Yes.

Question: Are there other contacts that are relevant to mortgage activities and should be required?

Response: No.

Question: Is it helpful to be able to list a third-party as a contact responsible for the contact types listed in the proposal?

Response: Yes. Having the ability to provide information for third-party contacts will allow





regulators to speak directly to that third-party about issues that the third-party may handling for Bison.

Question: When listing a third-party contact, a company will be deemed to have expressly authorized a state agency to contact the third-party without further approval from the company. Does this raise any concerns?

Response: No. Bison does not have a concern with this issue.

Periodic Reporting Requirements

Question: Do you have any suggested modifications to the proposed definitions for Reportable Incident, Catastrophic Event, and Cybersecurity Incident?

Response: No.

Question: Do you have any additional comments on this proposed new reporting requirement?

Response: Bison understands the importance of advising regulators of these types of issues and appreciates that we will be able to notify all state regulators with one submission through the NMLS instead of having to make multiple submissions separately to the states.

Data Requirements

While there are no specific questions regarding data requirements, Bison does not have any issues with mortgage companies having to provide information regarding Approvals and Designations or Bank Accounts.

Document Requirements

Question: Are there any other documents commonly required for companies engaging in mortgage lending and servicing business activities not included in the Mortgage Business-Specific Requirements?

Response: No.

- **Financial Statements**

Question: The proposal envisions that start-up companies will be able to submit something less than audited financials (i.e., compiled, reviewed or unaudited). Do you agree with the definition of a startup company included in the proposal?

Bison Ventures LLC

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(480) 992-9920 Main Office
NMLS 2257632





Response: No. Bison does not agree with the definition of a startup as included in the proposal and believes that there should not be a gross revenue amount tied to the definition of a startup company.

A startup company may not have an audited financial statement for 6 months to a year or more, depending on when it is formed within a fiscal year. Based on the proposed definition, if a company is able to earn at least \$500,000 in revenue before it is ready to submit additional applications, the company would no longer be considered a startup. Companies could gross up to \$500,000 in revenue within just 2-4 months, depending on the size of the loans. If it is at the end of the company's fiscal year, the company may only need to wait a few months to get an audited financial statement. However, a company that obtains its initial license early on in a fiscal year would need to wait 12-15 months in order for an audited financial statement to be completed. This definition prohibits startup companies from being able to obtain licensure in states that require audited financial statements and is contrary to competition.

Bison would like to see the definition revised to indicate that a company is considered a startup if i) the company has held at least one license for no more than 18 months, and ii) the company is not publicly traded.

Question: Do you agree there should be an exception to the audited financial statement requirement for start-up companies?

Response: Yes. Bison understands the need for state regulators to see the financial foundation of a new applicant and to have that information prepared by financial professionals. However, by not allowing an exception for the submission of audited financial statements for startup companies, state regulators will prohibit competition.

Question: If so, what type of financials should start-up companies submit (i.e., compiled, reviewed or unaudited)?

Response: Startups should be able to submit an unaudited financial statement.

Question: The proposal states that a company obtaining a license that only permits brokering activities and that is not a start-up may provide something less than audited financials. Do you agree with this exception? If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)?

Response: As Bison conducts lending and brokering activities, Bison does not have any comments on this issue.

Bison Ventures LLC

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(480) 992-9920 Main Office
NMLS 2257632





Question: The proposal states a company solely engaged in third-party mortgage loan processing or underwriting and that is not a startup, may provide something less than audited financials. Do you agree with this exception?

Response: Bison does not have an opinion on this matter.

Question: If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)?

Response: Bison does not have an opinion on this matter.

- **Document Requirements**

Question: Are there any policies not listed in the Document Requirements section that should be included?

Response: No. Bison agrees with the list of the policies included in the proposal and does not feel any additional policies are necessary.

Question: Are you in favor of the proposed policy certification process?

Response: Yes. Bison believes that the certification process will allow companies to ensure that all regulator's requirements are met prior to the submission of the application. In fact, Bison would encourage regulators to work out a similar process for business plans. Currently, information required for business plans can vary widely from state to state. Companies are constantly having to revise its business plans to add addenda for state-specific requirements. If business plans can be similarly certified as policies are (i.e., companies would have to provide information such as activities to be conducted, target markets, etc.), business plans would be much easier to prepare and maintain.

Bison has a concern, however, with the following added statement in the proposal: "It will be explicitly stated on each policy certification form that approval or granting of a license does not mean that the policy contents have been approved." This statement suggests that regulators could require companies to make changes to its policies once the policies have been submitted with an application and a state has issued a license. At the Town Hall webinar on April 18, 2023, the CSBS indicated that not all state agencies require review of the policies and procedures that will be required as part of the mortgage business-specific requirements. If that is the case, then why would these policies be considered "Business-Specific" and not "State-Specific". It is Bison's understanding that the "Business-Specific" requirements were to be reviewed by the initial regulator appointed to review an applicant as part of the Networked Supervision Licensing Model. If this initial regulator won't review the policies and procedures because their state does

Bison Ventures LLC

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NMLS 2257632





not require the review of the policies, then it does not make sense for these documents to be “Business-Specific”. As state regulators are working to streamline the requirements about the information required to be in the policies proposed to be uploaded, Bison would ask that regulators also agree that if one regulator issues a license with the submitted documents, other states will consider those documents acceptable and will not require companies to make amendments. If regulators are going to be allowed to conduct additional reviews and make changes to information previously submitted and accepted as complete by other state regulators, it appears to make the process of having a certification form useless and defeats the purpose of the Networked Supervision Licensing review of the Mortgage Business-Specific Requirements.

- **Document Samples**

Question: Are there any document samples not listed in the Document Requirements section that should be included?

Response: No. It is also Bison’s understanding that mortgage businesses will not be required to submit an “Operating Agreement” as that document is more specific to money-services businesses.

Required Functionality

Bison is pleased to see that electronic surety bonds are a required functionality in the proposal. Bison is currently licensed in nine states and looks forward to being able to use only electronic surety bonds for its future applications.

Location Reporting

Question: Are there any locations not in the location list that should be added for the mortgage industry?

Response: No.

Question: Are the location definitions sufficient? If not, please include suggested edits.

Response: Bison believes the location definitions are sufficient; however, Bison does not believe that companies should need to provide more information in the NMLS for accounting and legal services than is already being required in the contact information for accounting and legal services. This contact information includes location information for the contact individual. The contact information required to be provided should suffice if a regulator has any questions or concerns about accounting or legal services.

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Bison does not have an issue with providing additional information on its cloud services in relation to books and record information.

Company Operated Work Locations' Information

Question: Is the required information for Company Operated Work Locations adequate?

Response: Yes. However, Bison would appreciate additional information regarding specific requirements for branch managers, as many state regulators currently have varying requirements. For example, are regulators agreeing as to what those requirements will be or will companies still have to possibly have multiple branch managers to fulfill state-specific requirements, such as mortgage loan originator status or experience requirements?

Key Individual Requirements

Question: Do you support the minimum requirements proposed for the third-party investigatory background checks to be provided when a key individual has resided outside the United States at any time in the last 10 years?

Response: Yes.

Bison also does not oppose the requirement for key individuals being required to complete credit reports and FBI criminal background checks for all states. However, as is well-known in the industry, there are still several states that require fingerprints to be submitted outside of the NMLS. Bison encourages these regulators to allow for FBI criminal background checks to be completed through the NMLS. Bison would also ask that states that have state-specific background checks remove those requirements. It is burdensome for key individuals and mortgage loan originators to have to go to multiple locations for fingerprinting.

Bison thanks the CSBS for the opportunity to provide comments and extends its appreciation to state regulators. We imagine that it is not an easy task to get so many agencies to come to an agreement on such a major issue, and we truly appreciate the effort being put forth to develop a stream-lined licensing system. Should you have any questions, please do not hesitate to contact our Senior Licensing Specialist, Nancy Pickover, at nancyp@vipmtginc.com or at (480) 863-2377.

Bison Ventures LLC

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Respectfully submitted,

Stuart Crawford
Chief Executive Officer

Bison Ventures LLC

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(480) 992-9920 Main Office
NMLS 2257632



From: Craig Ready <craigready@launchpotato.com>
Sent: Monday, May 15, 2023 6:15 PM
To: Comments
Subject: [External] Comment on Proposal 2023-1

You don't often get email from craigready@launchpotato.com. [Learn why this is important](#)

May 15, 2023

NMLS Policy Committee
Conference of State Bank Supervisors
1129 20th Street, NW, 9th Floor
Washington, DC 20036

Re: Comment on the Mortgage Business-Specific Requirements Proposal

Dear Sir/Madam:

Buzzery, LLC submits the following comments in response to the Request for Public Comment on Proposal 2023-1. Buzzery started a mortgage lead generation business in 2022, and to that end obtained a mortgage company license in Colorado. We have attempted to obtain additional mortgage broker licenses in other states, but encountered a few issues that prevented us. The most important of those issues is addressed in your proposal, so we are pleased to provide these comments.

Periodic Reporting

Q: Do you have any suggested modifications to the proposed definitions for Reportable Incident, Catastrophic Event, and Cybersecurity Incident? Do you have any additional comments on this proposed new reporting requirement?

We suggest removing Cybersecurity Incident as part of a Reportable Incident. The proposed definition of Cybersecurity Incident is too broad. The proposal states that “any” compromise involving availability, integrity, or confidentiality of a system that has a “negative actual or potential impact” would be reported. But incidents involving data, availability, and integrity are common; also, they are almost always negative. If the proposed definition stands, you could receive mostly meaningless but voluminous incident reports. State data breach laws already cover material cybersecurity incidents; these laws cover personal information that consumers care about (e.g., SSN, bank account numbers, biometrics). An additional reporting requirement for licensed entities does not appear to serve a purpose worth imposing the requirement.

Documents - Financial Statements

Q: Do you agree with the definition of a start-up company?

Q: Do you agree there should be an exception to the audited financial statement requirement for start-up companies? If so, what type of financials should start-up companies submit?

Q: The proposal states a company obtaining a license that only permits brokering activities and that is not a start-up may provide something less than audited financials. Do you agree with this exception? If so, what type of financials should these companies submit?

We agree with the carve out for a start-up company, but we think a longer time horizon than two years prior to obtaining its first license would be helpful. Companies might exist for much longer than two years in other industries, then pivot to the broker/lender/servicing world. For example, a content business that writes about

consumer finance might build that business for years to gain a following and audience, then once the audience exists, the business may want to sell mortgage leads or start a mortgage broker business to monetize the audience. Thus, we suggest changing the requirement from two years to five years after obtaining the first license. We also suggest raising the gross revenue threshold to one million dollars.

We also agree with the exception to the audited financial statement requirement, especially for companies obtaining licenses that permit only brokering. But we ask that you expand this exception beyond “licenses” and look to the business purpose. Many states have brokering and lending bundled in the same license, i.e., the license would permit more than brokering. And an unintended consequence of the proposed exception is that it would apply only to states that have unbundled those activities in separate license regimes. Thus, we ask that you add a specificity requirement to the business activity description in the MU1 stating that the company will engage only in brokering activities rather than the license type.

Finally, we suggest amending the proposal to state that for a start-up company, the financial documents required are, at most, compiled financial statements or segmented P/L statements at the licensed entity *or* parent level. Many licensed entities are wholly-owned by or roll up to a parent company, and for many start-up companies, breaking out financial statements or performing audits at the licensed entity level does not inform a regulator about the health of the licensed entity. But if the parent’s financials show financial health, that should assure the regulators that the licensed entity will be well capitalized. And this is in the context of the licensed entity engaging only in brokering activities, which generally poses less financial risk than lenders to all parties involved. Thus, we agree with the general approach but ask for flexibility in what the licensed entity is required to provide.

Again, we appreciate the opportunity to comment on this proposal. Please feel free to reach out with any questions. You may contact me at craigready@launchpotato.com or (443) 326-1435.

Craig Ready
General Counsel

From: [HANK LIN](#)
To: [Comments](#)
Subject: [External] Comment on Mortgage Business Specific Requirements
Date: Monday, May 1, 2023 3:54:25 PM

Dear Sir:

After read thru the whole pages of Mortgage Business Specific Requirements, I feel the specific detail is enough., no more details I am offer. I agree with the Business Specific Requirement will be modernize the NMLS process.

the submitter's name: Shih-Hsien Hank Lin
Contact information: email: hank.lin@comcast.net, Phone: 510-659-9688
Address: 45720 Tuscany Ct. Fremont CA 94539
Company: Cal Home Investments, Inc.

From: Jennifer Gudino <jgudino@coastalpacificlending.com>
Sent: Tuesday, May 2, 2023 9:26 PM
To: Comments
Subject: * [External] Proposal 2023-1 Comments

Hello,

As the sole owner of a small company that operates as a mortgage broker/Non-delegated lender in multiple states I wanted to provide feedback to the Proposal. Oftentimes, changes like this seem appropriate for large publicly traded, or even large private companies with complicated operations and multiple in house positions dedicated to different departments. However, all too often, the brunt of maintaining additional reporting and requirements can become too much for small businesses like mine. The time it takes to prepare and comply with the additional steps along with the cost of completing each item adds up very quickly. As it stands, our industry is already very thoroughly regulated with both Federal and State requirements to uphold and multiple audits occurring on an ongoing basis. Each state dictates their requirement for licensing, including the type of financial statements needed and whether banking details are needed.

I do not agree that all companies engaging in mortgage lending and servicing business activities should be required to complete the Mortgage Business Specific Requirements. I am especially against the requirement for audited financials as a blanket rule along with requiring banking details and CLOUD storage info in NMLS. It is unnecessary and unwanted to impose additional layers and requirements for an industry that is already thoroughly regulated.

This info is being submitted on behalf of my company, Coastal Pacific Lending Inc, NMLS 965211, located at 1100 Town & Country Rd, Ste 1250, Orange, CA 92868.



Jennifer Gudino

CFO | NMLS: 149458

📍 1100 Town & Country Rd Ste 1250 Orange, CA, 92868

📞 (714) 786-8962

📠 (714) 272-8183

📠 (800) 503-1015

✉️ jgudino@coastalpacificlending.com

🌐 coastalpacificlending.com



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From: Merle Atkinson <Merle@ColumbineMortgage.com>
Sent: Saturday, April 29, 2023 1:47 PM
To: Comments
Subject: [External] NMLS Proposal 2023-1 Rqst for Comment - Operating Bank Acct

Hi,

For context, I am a small business owner operating as a mortgage broker in a single state (CO). In 2022, we originated a bit more than 200 residential mortgage loans with 4 producing Loan Originators, generating Gross Commission Revenue of approx. \$1.6m. Our business is 100% mortgage brokering - we do not service mortgage loans and we do not lend our own money. We do not have warehouse lines and we do not hold borrower funds at any point in the process.

Proposal 2023-1 calls for the Mortgage Business to provide Operating, Trust, and Credit Account Information as part of the regular NMLS. It is unclear what the regulatory purpose is for obtaining bank account information. Moreover, Mortgage Businesses may utilize many multiple accounts (potentially designated for each branch etc.). I would expect that financial statements (accurately and completely prepared) would be more appropriate for any regulatory purpose that I can envision.

Bank account information is highly sensitive and presents a significant security risk should the NMLS data repositories ever be compromised. In larger organizations, the size and frequency of transfers can make unauthorized bank activity difficult to detect in real-time and presents the opportunity for potential loss (and significant liability for NMLS) should it be determined that an NMLS data breach occurs.

I STRONGLY DISAGREE with the idea that businesses like ours should provide business bank account information as part of our NMLS licensing reviews. At a minimum, Mortgage Businesses that do not hold borrower funds (in the form of trust accounts, escrow accounts, etc.) and which do not utilize lines of credit to fund loans directly should be excluded from the requirement to provide Bank Account information.

Respectfully,
Merle Atkinson

Merle Atkinson
Direct: (720) 955-8955
Fax: (720) 463-2404

Columbine Mortgage LLC
NMLS ID# 1473491

From: Merle Atkinson <Merle@ColumbineMortgage.com>
Sent: Saturday, April 29, 2023 1:47 PM
To: Comments
Subject: [External] NMLS Proposal 2023-1 Rqst for Comment - Policies and Certifications

Hi,

For context, I am a small business owner operating as a mortgage broker in a single state (CO). In 2022, we originated a bit more than 200 residential mortgage loans with 4 producing Loan Originators, generating Gross Commission Revenue of approx. \$1.6m. Our business is 100% mortgage brokering - we do not service mortgage loans and we do not lend our own money. We do not have warehouse lines and we do not hold borrower funds at any point in the process.

As I understand it, Proposal 2023-1 calls for the Mortgage Business to certify certain key provisions of various key business policies, with the stipulation that the granting of a license does not mean that the policy contents are 'approved'.

I presume that the intent of this requirement is to ensure that the applicants for various mortgage business licenses clearly identify and adhere to those policies that are required by federal law and which provide prudent consumer protections.

In order to promote the presumed intent mentioned above and to avoid this simply being a 'paper exercise', I would suggest that YES/NO item provide a direct reference to the statute (with paragraph level detail) so that the business can easily and directly review the federal requirements before answering the question.

Furthermore, I would respectfully suggest that a composite of FEDERAL 'safe harbor' policies addressing each YES/NO item be prepared and provided for reference, which may (optionally) be incorporated by smaller businesses as a mechanism for enhanced compliance (in lieu of the concept of "to account for smaller companies that may have documentation, but not in the form of a Policy per se for the required items, submission of documentation evidencing compliance will be adequate"). State regulators should be able to acknowledge that the Safe Harbor policies do not conflict with state licensing requirements (although additional State-level policy requirements may exist – which policies would be out of scope for this item).

Respectfully,
Merle Atkinson

Merle Atkinson
Direct: (720) 955-8955
Fax: (720) 463-2404

Columbine Mortgage LLC
NMLS ID# 1473491

From: Merle Atkinson <Merle@ColumbineMortgage.com>
Sent: Saturday, April 29, 2023 1:47 PM
To: Comments
Subject: [External] NMLS Proposal 2023-1 Rqst for Comment - Financial Statements

Hi,

For context, I am a small business owner operating as a mortgage broker in a single state (CO). In 2022, we originated a bit more than 200 residential mortgage loans with 4 producing Loan Originators, generating Gross Commission Revenue of approx. \$1.6m. Our business is 100% mortgage brokering - we do not service mortgage loans and we do not lend our own money. We do not have warehouse lines and we do not hold borrower funds at any point in the process.

As I understand it, Proposal 2023-1 calls for the Mortgage Business to provide Audited Financials unless (a) the company is a "Start-Up" Company as defined, (b) the company has gross revenue of less than \$500,000, (c) the company is obtaining a license that only permits brokering activities, or (d) the company is solely engaged in third-party mortgage loan processing or underwriting.

As currently drafted, our company would not be required to prepare and submit audited financials. I think it is important to recognize that engaging an outside audit firm to prepare audited financial statements is costly and time consuming – not just at the end of the year, but also throughout the year. In practice, audited financials are primarily used to provide equity investors or debt providers with an outside assurance that the financial statements being prepared are prepared in accordance with certain standards (in most cases, GAAP). In some cases, requiring audited financials may also have merit when the purpose is to protect borrower funds or to protect the wages of employees/contractors. Due to the nature of different business models and related accounting practices, I believe the concept of a 'gross revenue' threshold as a measure of business size or risk profile does not achieve its desired result.

Whether a Company is a 'Start-Up' company or not should not be a factor in determining the need for Audited Financial Statements. My recommendation would be to adjust the requirement for Audited Financial Statements to better reflect the risks that regulators are trying to address:

- 1. If the company is publicly traded, audited financials are required (AND most recent available 10-K / 10-Q);**
- 2. If the company is otherwise required to provide audited financials to any equity investor, debt provider, or other entity, audited financials are required;**
- 3. If the company holds the servicing rights for more than 50 mortgage loans concurrently at any time during the company's fiscal year (even a single day), audited financials are required;**
- 4. If the company has more than 50 employees (inclusive of non-employee commissioned salespeople / loan originators), audited financials are required.**

Respectfully,
Merle Atkinson

From: Merle Atkinson <Merle@ColumbineMortgage.com>
Sent: Saturday, April 29, 2023 1:47 PM
To: Comments
Subject: [External] NMLS Proposal 2023-1 Rqst for Comment - Document Samples

Hi,

For context, I am a small business owner operating as a mortgage broker in a single state (CO). In 2022, we originated a bit more than 200 residential mortgage loans with 4 producing Loan Originators, generating Gross Commission Revenue of approx. \$1.6m. Our business is 100% mortgage brokering - we do not service mortgage loans and we do not lend our own money. We do not have warehouse lines and we do not hold borrower funds at any point in the process.

As I understand it, Proposal 2023-1 calls for the Mortgage Business to provide copies of documents “used in the regular course of business, including, but not limited to...”

This seems to be left wide-open to interpretation of what is ‘regular course of business’. Specifically, the documents listed in the proposal as examples vary widely in how they are used and their potential regulatory relevance.

For instance, the “Operating Agreement (including all amendments)” can vary based on the form of the entity, and in the case of a small business (Schedule C or Sole proprietorship, etc), may not even be applicable. It is not something I would consider to be “part of the regular course of business” and there may be privacy concerns as well. I would expect that a Secretary of State “Certificate of Good Standing” (as it is referenced in Colorado) is a more relevant document, because it ensures that the entity is properly registered with the State in which it is doing business.

“Customer Agreements” can also vary widely – as a third-party originator, each of our wholesale lender partners provides certain disclosures during the loan origination process, which we may need to supplement based on individual wholesale lender capabilities, but we may not necessarily enter into agreements with our customers in the ‘regular course of business’.

And “Third-Party Contracts” can encompass everything from purchased services (such as for Microsoft Office 365 or other software subscriptions) to our LO Agreements (which represent a material investment of time/energy/legal costs and which we consider to be proprietary and confidential business information).

I would therefore suggest that each item requested should have a clearly stated ‘regulatory intent’ and should allow for alternative documentation that, in the business’ judgment, might better meet the stated ‘regulatory intent’.

Respectfully,
Merle Atkinson

Merle Atkinson
Direct: (720) 955-8955
Fax: (720) 463-2404

Columbine Mortgage LLC
NMLS ID# 1473491



May 15, 2023

Mr. James Cooper
President and CEO
Conference of State Bank Supervisors
1300 I Street NW, Suite 700
Washington, DC 20005

Dear Mr. Cooper:

The Community Home Lenders of America is pleased to convey to you and your staff our member lenders' responses to your organization's request for comments regarding uniform license standards. These standards, as part of the NMLS system of reporting, seek to create a national standard that allows the state system to operate as a whole. If states defer to this national standard and in fact create uniformity, everyone wins. If they do not, the regulatory burden rises, with no commensurate gain in consumer protection.

Reportable Incidents (under Periodic Reporting)

This appears to be a new requirement placed upon the IMB community. Lenders today follow individual state laws and track them all to report correctly to these state regulators and protect our borrowers. Ideally this new reporting will replace the existing states' reporting and monitoring functions; should there be overlap between various state requirements and this proposal, we urge that the NMLS reporting suffice for each state's standards, and that this be so adopted by each state. We remain concerned that the proposal as currently written may be at odds with some state's statutes and requirements.

The CHLA is increasingly concerned that over-regulation of IMBs is providing more economic incentives for smaller lenders to sell to their large competitors. This trend exists already today; it will only increase if various governmental entities continue to layer duplicate reporting requirements onto lenders that already struggle to spread out fixed costs of compliance and legal over a limited book of business (relative to larger lenders).

In more detail, two of the four examples listed (Termination of a funding source/line of credit, and Third party service provider cancellation/modification) already have reporting requirements at the Agency (Ginnie Mae, Fannie Mae, and Freddie Mac) investor, and state level; again, the proposal has value if it genuinely creates uniformity and efficiency, and leads to states acknowledging this proposal's requirements suffice in the case of duplication or conflict.

The definitions of “catastrophic” and “cybersecurity” appear as overly broad given that material risk is not well defined. The broad definition of material risk as written may lead to over or underreporting by IMBs creating inconsistencies in the information and data collected by NMLS. Yet, if the CSBS makes clear in this proposal that the lender has sole authority to deem what is material and what is not, and encourage the states to specify the same, CHLA lenders can operate within this framework.

The CHLA does recommend, at a minimum, that the cybersecurity language align to the existing CSBS non-bank cybersecurity framework, as well as the Federal Trade Commission’s new Safeguard rule.

Key Individual Requirements

The number of key contacts required should be limited as a matter of efficiency and accuracy of reporting; too many requirements will not materially improve state oversight and regulation, but will instead increase the odds of this information being obsolete due to employee turnover. The organization should have the latitude to list only those leaders in select categories (e.g. Managing owner, CEO, CFO, COO) as well as those who can function to receive communications from outside parties, and consumers, and farm them out to the appropriate internal personnel to resolve the situation. CHLA understands that this “Key Individual Requirement” does not necessarily expand the number of persons listed today, and that it replaces the current “Key Control Person” standard. CHLA is concerned that without adoption by the states for this requirement to replace the “control person” standard, lenders may be left with duplicative and expansive reporting requirements.

We also understand and commend that passive investors are not to be captured in this requirement.

Documents

CHLA is supportive of enhanced due diligence of those seeking to obtain a lender license; however, the questions and proposed examples for documents do not appear to consider state specific licensing application requirements under respective state law and administrative code. This new section and start up as defined does have the potential to streamline new entity formation and licensure, but only if adopted at the state level; otherwise, start up entities will face duplicative reporting and inconsistencies among state license applications and approvals. What does CSBS believe the state adoption will look like with this provision? Several states have varying requirements for either audited financials and/or pro forma balance sheets, others will only accept audited financials.

Will We See Uniformity Here, or Just More Regulation?

In supplemental material from your organization, a document entitled “A Modernized NMLS,” there is a subsection titled “Benefits of A Modernized NMLS.” A paragraph therein reads as follows:

- **Greater efficiencies for state licensees** – Individuals and companies will have one point of contact for initiating the licensing process, regardless of the state in which they apply for a license. This will save licensees time and eliminate the need to adhere to varying, state-specific requirements.

The above sounds promising, but lenders may be forgiven for wondering if various states will truly agree to give up their “varying, state-specific requirements.” Community lenders want to believe that these new and augmented requirements for the NMLS will take the place of varied state requirements, and are willing to work with the CSBS to encourage this adoption over time. However, if many states refuse to defer to this modernized NMLS proposal, all we have accomplished is yet another step toward industry consolidation via ever-greater regulatory requirements for small lenders.

We appreciate your consideration of our comments and recommendations.

Sincerely,

COMMUNITY HOME LENDERS OF AMERICA

From: Louis <commortloan@gmail.com>
Sent: Thursday, May 11, 2023 3:14 PM
To: Comments
Subject: [External] Proposal: Mortgage Business-Specific Requirements Comments

You don't often get email from commortloan@gmail.com. [Learn why this is important](#)

After reviewing the proposal, I think this would put undue strain upon small businesses that have combined licenses in the mortgage industry as well as the small loan industry. One of these items would be in regards to audited financial statements. At this time our corporation has both a mortgage license and a small loan license. The corporation financial statement represents both the combined mortgage and small loan profits and expenses. The combined gross revenue due to these two licenses would require audited financial statements. Without the combined mortgage and small loan licenses, the gross revenue would not require the audited financial statements. At this time our present accountant does not offer auditing services. Based upon this information, I believe there should be an exception made if this proposal is adopted that would exclude small businesses that have multiple licenses.

Sincerely,
Tina Milam

Community Mortgage & Loan, Inc (286478)
P.O. Box 1723
538 West Main Street
Tupelo, MS 38802
662-840-5575
662-842-0115

From: Accounting Department <accounting@factoringexpress.com>
Sent: Monday, May 15, 2023 2:22 PM
To: Comments
Subject: [External] Program Objectives

You don't often get email from accounting@factoringexpress.com. [Learn why this is important](#)

Hi Team,

I would like to commend a well-planned system that would guide users. I believe even if there are some confusing terms and steps along the way, NMLS is always ready to accommodate queries and assist users. Notifications are given in advance that gives enough time for the users to study and do the requirements set by NMLS. Over-all, we have nothing but just to commend you for your effort.

Accounting Department

Toll Free: (888) 754-9895

Direct: (323) 676-3580

Fax: (800) 285-1964

Email: accounting@factoringexpress.com

Website: www.factoringexpress.com



From: [Pat Longo](#)
To: [Comments](#)
Subject: [External] Mortgage Business-Specific Requirements Proposal
Date: Monday, May 1, 2023 4:52:27 PM

RE Mortgage Business-Specific Requirements Proposal

To whom it may concern,
I feel there should be a threshold based upon number of transactions per year small brokerage mortgage lending companies are exempt.

In CA for example persons selling less than 6 cars a year are not even required to have a car dealer's license.

Small fully licensed and compliant ma pa companies doing few transactions per year in many cases primarily for repeat clients, their families and friends serve their communities well. Is there any empirical data proving reporting requirements currently in place have merit? Are they just a way to push the little guy out of the lending business to consolidate mortgage lending to a few Big Banks? I have enough on my plate as a 1-man shop. I am sure others feel the same. To eliminate the boutique small business brokers who provide hands-on time intensive review of self-employed and small corporate, particularly LLC and Sub Chapter S filing business borrowers which are required to provide full tax returns and other more intensive QM lending documentation potentially creates a disservice to the self-employed and small business owner borrowing community.

Thanks

Standing By

Pat Longo

President Fairway Mortgage

P.O. Box 92011 S.B. CA 93190

Cell 805 455 3501

Co. NMLS 306444 Ind. 255728

DRE 01403436 Ind. 00911948

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From: [Hai Nguyen](#)
To: [Comments](#)
Subject: [External] Comment on Mortgage Business Specific Requirements
Date: Monday, May 1, 2023 1:48:51 PM

Mortgage Specific Requirements proposal are fine.

Best Regards,

Hai Thi Vu Nguyen/DBA Financial Links Co/NMLS#398955

From: Bill Woods <n627b@hotmail.com>
Sent: Monday, May 1, 2023 11:41 AM
To: Comments
Subject: [External] Comment on Mortgage Business Specific Requirements

To whom it may concern,

The entire residential real estate mortgage industry is adequately regulated. There is absolutely no need to add more regulations to an already heavily regulated industry.

William E Woods
Mortgage Broker
First Place Mortgage LLC
10451 Palmeras Drive #229
Sun City, AZ 85373
623-972-6432

FREEDOM MORTGAGE CORPORATION'S (NMLS #2767) COMMENTS ON
NMLS POLICY COMMITTEE
MORTGAGE BUSINESS-SPECIFIC REQUIREMENTS PROPOSAL

Freedom Mortgage Corporation (“Freedom”), NMLS # 2767, respectfully submits comments in response to the NMLS Policy Committee’s Mortgage Business-Specific Requirements Proposal (the “Proposal”). Freedom will generally follow the structure of the Proposal after providing general initial comments.

GENERAL COMMENTS

While Freedom understands and recognizes the goal of uniformity, Freedom also believes that many of the additional requirements contained in the Proposal will result in a usurpation of the state legislative and administrative rule-making processes. The Proposal requires significant information above and beyond what state legislatures and regulators have deemed to be necessary for the consideration of mortgage license applications. While limited amounts of this information may come within the ambit of requirements for certain states, they are not required by state statute and/or regulations for most states. The NMLS is effectively changing state statutes and regulations on its own directive. Freedom does not believe that the NMLS has the authority to legislate independently of state legislatures.

Moreover, if information is provided by a company which is not necessary according to state statute, the state regulators would have access to company information that its legislatures did not deem necessary. As a result, the regulators could consider factors (provided by the required information) that it was not supposed to consider according to state law. Further, the mandatory requirement for this information opens a Pandora’s Box on how the information is interpreted by different states that did not need the information according to its own state statutes. This additional information, if needed, should be put on the state checklists where a state determines that one or more of those documents needs to be considered in making mortgage licensing decisions according to its laws.

The goal of the Proposal is to standardize certain requirements that are not standardized now due to varying state law. For example, it was mentioned in the CSBS Town Hall on this Proposal on April 18, 2023, that the definition of a “start-up” varies by states. The CSBS, however, does not have the authority to supersede state law because it seeks uniformity in definitions. Another example from the Town Hall that was provided is that “policy requirements run the gamut”, referencing state law. Be that as it may, the CSBS does not have the authority to override state law in the interest of uniformity. That is an anomaly to our federal system. An example was provided of a state statute that had a relatively long notice period for certain reportable events. However, the CSBS cannot re-write that statute; it is the job of the legislature to do that. There cannot be uniformity within a system where its foundation is individual state laws and regulations.

Finally, several of the proposals are confusing to understand, are duplicative of certain existing requirements in the system, and, with respect to certain reporting requirements, far exceed state laws on this subject. The result of these proposals is to place extraordinary additional burdens on companies

which goes well beyond the NMLS' mission as a centralized software system for mortgage (and other) licensing.

In its Resource Center, the NMLS states,

The Nationwide Multistate Licensing System ("NMLS" or the "System") is the system of record for non-depository, financial services licensing or registration in participating state agencies, including the District of Columbia and U.S. Territories of Puerto Rico, the U.S. Virgin Islands, and Guam. In these jurisdictions, NMLS is the official system for companies and individuals seeking to apply for, amend, renew and surrender license authorities managed through NMLS by 66 state or territorial governmental agencies. **NMLS itself does not grant or deny license authority.**

The NMLS does not have the authority to grant or deny licenses; only the states can do that. Therefore, the NMLS should not put itself in the position of supplementing mandated documents and reporting requirements issued by the states for use by the states in making licensing decisions.

Finally, according to the NMLS, "[t]he goal of NMLS is to employ the benefits of local, state-based financial services regulation on a nationwide platform that provides for improved coordination and information sharing among regulators, increased efficiencies for industry, and enhanced consumer protection". Freedom believes that goal does not include mandating the particular documents and/or information that is to be shared by regulators. Freedom also believes that the additional requirements in the Proposal are extremely burdensome and do not increase efficiencies for the industry which would be offset by enhanced consumer protection.

CONTACTS

The proposal calls for adding mandatory legal, accounting and licensing contacts. It then specifies certain contacts that must be identified.

Consumer Complaint – Regulator

Data Breach or Cybersecurity Incident Contact if not identified as a key individual

Exam Billing

Exam Delivery

Mortgage Call Report

What is not clear is whether the "legal, accounting and licensing contacts" fall within any of these five categories or whether they need to be separately identified.

Freedom believes that the Primary Company Contact can identify the legal and accounting contacts depending on the context of the inquiry. For example, there may be different law firms or in-house counsel who are handling different matters. That request also removes the protection of attorney client privilege to which each company is entitled. Freedom can provide the names of the General Counsel, Chief Financial Officer and Chief Licensing Officer who can be conduits to the appropriate contact on a particular matter. The Consumer Complaint-Regulator is already identified. With respect to the

Mortgage Call Report (“MCR”), if there are issues, the state regulators should add a deficiency to the license regarding the MCR and the appropriate person within the company will respond to it.

PERIODIC REPORTING

This is another example of significant overreach in terms of information that state laws require. It is extremely onerous and there is no authority for the NMLS to supersede state law and require this reporting when state law does not require it. The added requirement for the disclosure of Reportable Incidents is as follows:

A Reportable Incident would be defined as: An incident or situation, that would present a material risk, financial or otherwise, to a company’s operations or to the customers it serves. In addition to a data breach that must be reported under state or federal law, examples of items which may be material include, **but are not limited to** (emphasis added):

1. A Cybersecurity Incident
2. Termination of a line of credit or funding source
3. Catastrophic Event
4. As a result of notification from a third-party service provider, knowledge that the provider will modify or cancel an arrangement which would affect the company’s ability to conduct its business (i.e., there is no back-up vendor in place or business continuity plan)

Reportable Incidents must be reported without unreasonable delay, but no later than five business days from a determination that an incident or situation has occurred.

Cybersecurity incident reporting is covered by state and federal law. There is no authority for the NMLS to unilaterally supplement those laws. The third category, “[a]ffect[ing] the company’s ability to conduct its business” is completely vague. It can mean many things – particularly with the definition of “affect”. Again, unless there is a basis in individual state law for this requirement, there is no basis for the NMLS to impose it. Although it is not clear from the Proposal, at the April 18 Town Hall, it was mentioned that investigative report requirements would be taken from the Money Services Act and required to be utilized in the mortgage industry. That is clearly an act of legislating by the CSBS as those requirements were not adopted by legislative bodies for the mortgage industry. Finally, the “but not limited to” clause above opens the companies up to at least 50 different state interpretations of what that means, which is not at all clear or limited in the language above.

DATA REQUIREMENTS

The first item requested is to “[p]rovide numbers for any approvals or designations the company holds”. That instruction is vague. If it simply relates to license numbers, then those are already available in the

NMLS, to the extent that states issue license numbers as some states do not. There is no basis for a vast array of approvals outside of the licensing realm to be included in the licensing system unless a specific state needs a specific approval.

The second item requested is bank account information as described as “[a]ccount(s) used for your mortgage activities, including operating, trust (e.g., client funds and escrow accounts) and line or letter of credit accounts in the Bank Account section of the Company Form (MU1). The account(s) must be business accounts in the name of the applicant.” Many large companies have a significant number of bank accounts. Some are specific to certain state trust and/or origination requirements. To the extent that a state has this requirement, then the information is already made available to the state. Beyond that, there is no need to force the disclosure of every single bank account that a company may have. It is both unnecessary and burdensome.

DOCUMENT REQUIREMENTS

This section adds a requirement for certain policies and certifications to be provided by all licensees: BSA/AML Policy, Gramm-Leach Bliley Privacy Policy, Disaster Recovery/Business Continuity Plan, Consumer Grievance and Complaint Policy, and Document Samples of “documents used in the regular course of business” (the cited types of documents are just examples). Suffice it to say that this is tremendously burdensome to the companies as companies would be required to have key certifications to the policy certifying that certain detailed items are included in the policies. That is nothing less than the NMLS essentially writing the policies for the companies.

Moreover, there is no evidence that all state regulators ask for any or all of these documents in connection with approving or denying licensing applications. That is because state law and/or regulation may not give all states the authority to request them. Some states may seek some of the documents pursuant to state law and regulation, but certainly not this extensive list of policies with the extensive requirements to be included in each policy. This issue of required policies should most definitely be left to individual state regulators who have a need and the authority to get the information. If more than one state requests a particular policy, it would be easy for the company to send that one policy to the other state. There is no reason that it should be shared with all state regulators regardless of their authority or need to see it. The requirements of what should be contained in those policies certainly should not be set by the NMLS.

One factor of this policy requirement that came to light in the April 18 Town Hall is extremely troublesome. It was represented that a regulator from one state would certify to ALL states that a company’s policies satisfy the requirements. However, each state regulator may have their own set of requirements for a company policy that is not universal to all states or it may not have a requirement that other states do. It is unfair to the company to have one state (with that state’s requirements) review policies on behalf of all states. A good example is New York’s cybersecurity policy that is much more detailed than is required by most other states. How can a regulator from another state determine whether a company’s cybersecurity policy satisfies the NY requirements?

Finally, the request for “documents used in the regular course of business” is overly broad and unduly burdensome. There are literally multitudes of documents that companies use in the regular course of

business. This does not narrow what documents are sought. Further, this will not help regulators in any way. If they are inundated with hundreds or thousands of documents, they will have to review each to determine if the one they are looking for is in that group. It is much more streamlined for all parties to have a state regulator request a specific document or documents and to have the company provide that document or documents. Again, there is no authority for the NMLS to request all this information.

LOCATION REPORTING

The proposal provides that “all companies will be required to provide those locations where licensed activity will be performed, records are stored, or where support staff for licensed activities are located.” Two of these items are duplicative of current requirements. All licensed locations are included in the NMLS. States that do not require branch licenses for licensed activity does not fall within the new description since licensing is not required. Similarly, book and record locations are currently included in the NMLS.

The third requirement for support staff can encompass literally every location for every other employee as all employees support licensed activity as licensed activity is the purpose of the company. This includes individuals who work remotely, which has happened regularly since the start of the pandemic. It is an unnecessary and burdensome requirement for companies to undertake, particularly since this list can change literally on a daily basis.

The proposal also requires disclosure of:

- Accounting: The applicant/licensee will provide the primary location for accounting services that are provided to the company, regardless of whether they are provided in house or by a third-party accounting firm. This should include internal and third-party accounting services.
- Cloud Services: In connection with the books and records requirement, the applicant/licensee will be asked to provide details regarding cloud storage services, including services used for data collected from customers.
- Legal: The applicant/licensee will provide the primary location for legal services that are provided to the company, regardless of whether they are provided in house or by a third party law firm.

As to the Accounting requirement, it is unclear as to whether more than one location is required. In house Accounting has some responsibilities and third-party accounting services have other responsibilities. There is no clarity as to what is being sought here and for what purpose. There is certainly no basis in state law for this requirement.

The Cloud Services requirement similarly lacks a purpose and lacks state statutory authority. It is extremely vague as to what is being requested and as to whether a company can even provide this information and keep it current on an ongoing basis.

Finally, the Legal requirement, like the Accounting requirement, is extremely vague. In a large company, some matters are handled entirely in house and other matters are sent to various outside law firms as needed. Providing the identity of outside counsel is protected by attorney client privilege and again lacks a purpose and lacks statutory authority.

COMPANY OPERATED WORK LOCATIONS

The proposal provides for the following to be disclosed for “each company operated work location”:

Business Activities Selected from business activities reported by the company.

Operating Under which License Authority? Selected from license authority held or applied for by the company.

Physical Address Street address where the company operated location is physically located.

Mailing Address Mailing address for the company operated location, if different from physical address.

Books and Records Information Selected from books and records locations reported by the company or provide a new record custodian for this location.

Doing Business As (DBA) Selected from names of DBA(s) reported by the company under which the Company owned location commonly operates. This field is optional.

Branch Manager Name Name of the individual responsible for licensed activity at the company operated location.

Phone Number Primary phone number for the company operated location.

Email Address Primary email for the company owned location. This field is optional.

Start Date Date that represents the starting date that licensed activity began at the physical address.

End Date Date that represents the ending date that licensed activity was no longer performed at the physical address. This field is only required if the location is no longer in operations.

The difficulty with this provision lies in the use of the term “each company operated work location”. That term is vague and overly broad. Work for the company is done in every location where an employee who is employed by the company works. In addition, that is evolving on a daily basis as employees join or leave a company’s employment. With the trend toward permitting remote work, LOs are working from numerous locations. What is not clear is whether this category is limited only to licensed locations or includes all “work locations”.

If this proposal is intended to apply to only licensed work locations, the categories that are listed are generally already included in branch information on the NMLS for licensed branch offices. For locations that need not be licensed, many of these categories simply do not apply. Business activities are defined as an overlay on a licensed location, not for the Human Resources or Legal Departments for example. In addition, there are not branch managers at unlicensed locations.

If the intent of this provision is to limit the information provided to include only licensed locations, that is duplicative of what is currently required in the NMLS and serves no additional purpose. There is no need for a company to provide the licensed authority, for example, where the NMLS is the repository for those state licenses. The information already exists in the NMLS. Some states do not require licensing

of branch offices. This proposal puts an additional burden on the company that is not intended by state law. It is also unclear how a location can conduct “licensed” activity if it is not required to be licensed by state law.

KEY INDIVIDUAL REQUIREMENTS

The new Key Individual Requirements section is particularly troublesome. It adds a new category of individuals who must be vetted while still retaining the current Control Person requirements. The question of who fits into what category (Key Individual and/or Control Person) will be extremely hard to determine. Moreover, there is no justification for this change. Currently, the NMLS requires that persons who have control over decision making in the company be disclosed. This adds an unnecessary and confusing layer.

The management disclosure requirements are but another example of imposing requirements beyond what is required by state law and regulations. States can put on their check lists requirements for detailed disclosure of management information if they believe it is relevant to licensing applications decisions as permitted by statute and regulation. There is no independent justification for the new requirement and none is provided.

The changes to direct ownership and indirect ownership for purposes of identifying Key Individuals (although it is unclear whether a 10% or more owner is defined as a Key Individual since the chart references only Board members of a corporation as Key Individuals) are not logical. First, the proposal makes no distinction between direct and indirect owners in its 10% formula. Currently, indirect owners have a 25% or more indirect ownership interest in the company. More importantly, **the proposal does not distinguish between voting and non-voting stock**. An individual and/or entity that only owns (directly or indirectly) non-voting stock should not be viewed as a Key Individual because that individual or entity has no ability to direct and/or control the corporation.

CONCLUSION

The Mortgage-Specific Business Requirements set forth new and onerous requirements for companies without any underlying justification for an across the board need for this information and without any basis in state law. The NMLS cannot override state law and add significant additional requirements necessary to obtain state mortgage licenses. The criteria for the decision of whether to approve a mortgage license application is fully set forth in state law. There is no basis for a mortgage license system repository to augment state licensing requirements. The purpose of the NMLS is not to re-write state law; it is to provide a platform to implement the law as written by the states.

Freedom is happy to discuss this issue further with the NMLS Policy Committee and to work on solutions that meets the needs and goals of the Committee.

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NMLS 1065200

May 1, 2023

RE: NMLS Request for Comment, Proposal 2023-1, NMLS Modernization: Mortgage Business-Specific Requirements

Submitted via Electronic Mail to comments@csbs.org

To whom it may concern:

The following represents the views of Grander Mortgage Capital LLC, NMLS 1065200 ("Grander"), in regards to the proposed Mortgage Business-Specific Requirements proposal (the "Proposal"). We are pleased to submit our comments and suggestions and to be included in the Conference of State Bank Supervisors ("CSBS") development of industry-wide standards for mortgage originators, brokers, servicers, and other service providers.

In general, Grander strongly supports the Proposal, with three important areas which in our view merit additional attention by CSBS staff in crafting final directives for the industry. Specifically, we recommend further examination of the following:

- The consideration of specific Business requirements for Master Servicing entities, which allow for harmonization across all CSBS jurisdiction when master servicers submit business-specific information;
- The elimination of the allowability of non-audited financial statement reports for start-up or other entities; and
- Revisions to the Location Reporting requirements which reflect the emergence of work-from-home and remote location work arrangements which have become commonplace in the wake of the Covid-19 pandemic.

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Business Activities

Grander views the scope of business activities proposed by the CSBS proposal to be appropriate; however, we note that, due to inconsistencies in state-level statutory and regulatory treatment of **master servicing** as an activity, there may be additional consideration required to enable consistency in responses from master servicers as opposed to direct servicers, originators, and sellers, who deal directly with mortgage borrowers in a manner different from that of master servicers.

Grander acts solely as a master servicer in all jurisdictions, and in this role, has found it occasionally challenging to respond to periodic audit or examination requests which are framed solely in terms of traditional sellers and servicers. Master servicers, if regulated appropriately, act as an important source of capital and liquidity to more traditional seller-servicer organizations, both regulated (bank) originators and non-bank financial providers. Grander recognizes that its ability to provide that service is contingent on demonstrating its independent ability to monitor and oversee subservicer activities and to indemnify loan purchasers from subservicing failures - however, the existing NMLS process makes it difficult in many jurisdictions to translate what we "do" - which is to ensure subservicer quality and cashflow direction to end investors - and what we "do not do" - which is to engage directly with borrowers, or to conduct borrower-facing activities.

We would hope that the CSBS would use this modernization opportunity to clear up these areas of confusion, and allow master servicers to have a more rationalized approach to responding to CSBS questions regarding our business model. We recognize that Grander's role as a master servicer is highly specialized, but hope that the CSBS modernization initiative can recognize the idiosyncrasies specific to our important role in capitalizing and providing liquidity to the mortgage banking industry.

Contacts

We concur with the proposed requirements for listing contacts in key functional areas. We also concur with the requirement that, where third-parties are employed (for example, for subservicers employed by master servicers), a specific direct employee or principal be listed as a contact in addition to any third party providers. However, we recommend that there be a specific call or separate descriptive function for master servicers who may employ multiple third parties as subservicers, but would still list a single point of contact for subservicing oversight, QA processes, annual reviews, etc. We do not see any concerns from an implied ability of a state regulator to be able to contact such resources without prior notice; however, again with respect to master servicers, we recommend that there be a pre-defined cadence, where the state

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regulator would either first, or simultaneously (for example, by including in a common email or "cc" address), inform the master servicer of any questions or concerns.

Periodic Reporting

Grander views the proposed Periodic Reporting requirements for Reportable Incidents, Catastrophic Events, and Cybersecurity Incidents to be appropriate. We also would recommend any CSBS requirement be cascaded to any master servicers, guarantors, or investors simultaneously with any reporting via NMLS, to ensure all constituencies (not just state regulators) are aware of such event-driven issues.

Documents

While in general, Grander concurs with the proposed CSBS policy with respect to documentation requirements, we **do not** agree with the approach of allowing unaudited financials to be deemed sufficient for start-up entities. Recently formed entities should indeed be held to the same high standards as operating entities, to provide assurances to CSBS regulators that the formation of such entities was conducted appropriately under state and, if appropriate, federal law. The auditing process does more than ensure correct financial numbers and processes: audits also ensure that entities are duly established, and that ownership has been validated by a third party knowledgeable in such matters. When entities embark on the NMLS journey, having such audit oversight is critical: indeed, Grander, which has only been in business since 2017 and has only funded operational MSR purchases since 2021, can speak directly to the helpfulness of having a qualified third-party CPA audit oversight process in ensuring our ability to meet regulatory expectations.

We strongly encourage the CSBS to enforce the requirement for audited financial statements for all NMLS entities, including newly established or "start up" entrants, to assist in maintaining the standards expected of mortgage service providers in the post-crisis era.

Location Reporting

While Grander does not have a specific recommendation, we encourage the CSBS staff to envision how the proposed Location Reporting requirements would have operated during the pandemic lockdown period of forced "work from home" / remote working arrangements. The pandemic has made all industry participants aware of the need for at least crisis-related flexibility on workforce location, and in many instances, has called into question whether centralized workforce co-location provides any net economic or organizational benefit.

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In addition, while centralized physical file locations will always likely required (and can be maintained by third-party document custodians as noted in the CSBS proposal), the evolution of cloud-based software services makes some of the CSBS data location requirements seem no longer up to date.

In general, Grander views the proposed location reporting requirements to be unnecessarily rooted in pre-pandemic office cultural norms, and potentially to be a hinderance to companies seeking to address workforce retention and optimization questions. We strongly suggest the CSBS rethink the proposal through a lens which embraces new post-pandemic norms, so as to allow the mortgage industry to continue to attract top talent and compete with other areas of the financial sector for critical employees.

Key Individual Requirements

Grander broadly concurs with the key individual requirements set forth in the proposed business-related requirements, including the expansion of "key individuals" under the KIWI initiative. We note that our company has "key individuals" which fall outside of the existing definition, but who nevertheless have regular and critical engagement with CSBS regulators on various issues. Given that the NMLS system serves to allow regulators to have real-time access to not only reports and data but also critical personnel within a given mortgage service provider, expanding the list of what constitutes "key individuals" is a welcome enhancement.

Conclusion

Grander is pleased to have been asked to provide its comments to the CSBS modernization proposal, and would welcome the opportunity for further discussions, in particular with respect to our master servicing model and how it may shine a different light on the proposals relative to that of more traditional seller-servicers. Please contact Peter Freilinger, Chief Financial Officer, for any further comments.

With respect,

Peter Freilinger, CFA
CFO/Treasurer
Grander Mortgage Capital LLC
(206) 992-5657

IMMAAG

Impact Mortgage Management Advocacy & Advisory Group

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Comments – Mortgage Business Specific Requirements Proposal
Submitted By: IMMAAG, Inc., William (Bill) F. Kidwell, Jr., President
Phone: 303-674-1200; Email: bill@immaag.com

The following comments are offered in response to the CSBS published request for comment. **IMMAAG** appreciates the opportunity to share its thoughts with the CSBS on the subject. While the document is the written and submitted by **IMMAAG**, the feedback and suggestions are considered to be representative of the opinions of hundreds of the micro-sized companies affected by the approach CSBS/AARMR has taken to implement and manage the requirements of the SAFE Act. This opinion is based on **IMMAAG**'s owner's personal knowledge as well as almost two decades of close involvement with this segment of the mortgage distribution system and feedback from hundreds of users over that period. While often critical of the approach implemented by the CSBS, the comments are offered in the vein of contractive criticism and requests for improvement. The feedback has been limited to the specific comments requested in the RFC. Should CSBS staff be interested and open to additional feedback on other operational, navigation and user experiences **IMMAAG** would welcome the opportunity to share.

BODY OF IMMAAG'S COMMENTS

Business Activities included in the Mortgage Business-Specific Requirements

- The Mortgage Business-Specific Requirements proposes that all companies engaging in mortgage lending and servicing business activities (e.g., first mortgage brokering, first mortgage lending, and first mortgage servicing) with the exception of appraisal management services will be required to complete the Mortgage Business-Specific Requirements. See [Appendix 2](#) for the full list. Do you agree that all companies engaging in mortgage lending and servicing business activities should be required to complete the Mortgage Business-Specific Requirements?

Administrative Note – In offering its comments and responses, IMMAAG firmly believes that the CSBS has exceeded its statutory authority requiring companies to become licensed or registered. As explained in the comments it is understood how this occurred at the outset when implementing the SAFE Act. The IMMAAG recommendations responsive to the questions are offered as though the authority exists, but without agreeing that such authority does exist. Additional note, the nature of the questions implies the request for response/comments is more directed at the regulator users than the affected industry users.

The overarching comment about the authority notwithstanding, (See administrative note above) the only items which should be required for company "licensing" relative to the NMLS&R should be a registration process regardless of the state level licensing requirement which preceded the passage of the SAFE Act. The information presently required for company licensing provides more information than should be needed for a company to simply register with the NMLS. Other

state level licensing requirements should be handled at the state level. If CSBS and AARMR and their members decide they want a system to facilitate operational improvements and/or efficiencies for the regulators, they should design and build it outside of the licensing/registration requirements provided for in the SAFE Act for "individuals".

Contacts

- Do you agree that all contacts listed should be required for companies completing the Mortgage Business-Specific Requirements?

The NMLS&R leadership and the Policy Committee need to more clearly demonstrate that they understand the residential mortgage distribution system is not a homogenous group of enterprises; it consists of predominantly micro-sized companies and their one to two owners/managers. According to data made available from the CSBS, of the 24,702 licensed/registered companies reported as of the end of CY 2022 in the Annual Mortgage Report over 13,500 sponsor 1 or 0 MLO's (54.8% of the licensed/registered companies) and over 21,100 (85.5%) sponsor 5 or fewer MLO's. Requiring granular "Areas of Responsibility" to be designated reflects the system's focus on the larger organizations which make up only a small fraction of the companies required to comply with NMLS&R procedures. It is worth noting or at least reminding the policy committee members that the SAFE Act as originally passed and even as amended to accommodate temporary authority provides no authority to the CSBS/AARMR to require licensing/registration of companies. The decision to require companies to be licensed which went generally unopposed by industry primarily because no one believed 500,000 individual call reports made sense and because some states already had company licensing requirements which required accommodation, does not provide the CSBS/AARMR with license to impose the level of requirements it already has and is now proposing on the thousands of small businesses that were caught in a "technical net" when the initial system was developed. If the SAFE Act, including amendments is to be adhered to, and still allow the unauthorized exception to require company licensing, the system should be designed to recognize the cottage nature of the majority of affected businesses and an appropriately oriented process designed. The majority of those affected do not have 5 different individuals responsible for the companies' activities. They have one or two. So, **IMMAAG's** recommendation is to use of the business activity to capture the useable data about the company business model so when the various requirements are presented the system is able to offer requirements based on the business model, not generic activities. The system should not be designed as one size fits all or just Direct Submitters versus all others. An example is to have the MCR's (RMLA and S-FC) only require the data appropriate to the business model and to have the S-FC redesigned to be more reflective of the general ledger design of micro-sized companies. This has been suggested for the quarterly RMLA and annual S-FC as well.

- Are there other contacts that are relevant to mortgage activities and should be required?

This can only be answered if the objective of the use of the information is identified. As the system now exists thousands of business owners ask themselves every time they have to interact, who uses the information and for what, specifically?

- Is it helpful to be able to list a third-party as a contact responsible for the contact types listed in the proposal?

Similar to the response regarding other contacts, even small companies who are most likely to outsource certain functions recognize that they remain accountable to manage those resources.

So, the appropriate contact for the vast majority of the covered companies would normally be the owner(s).

- When listing a third-party contact, a company will be deemed to have expressly authorized a state agency to contact the third-party without further approval from the company. Does this raise any concerns?

See prior comment. The approach taken since inception has failed to recognize the cottage nature of the system under the control of the CSBS/AARMR solution the SAFE Act **encouraged** its development. It is clear that larger companies with multiple and diverse management processes and resources would potentially have concerns about third providers being directly contacted by state agencies and would have to create controls to ensure timely, complete communications. These structures are generally unnecessary in companies with one to two owners. It is unclear why listing a third-party contact would imply anything more than an authorization to engage. The question as presented seems to assume de facto that identifying someone with possibly deeper or different insights automatically provides the contact with control or decision making. Simply designating a contact does not mean management expects to either delegate or abdicate control and/or responsibility. The question's structure suggests it is directed more at larger users or regulators and not at the small companies which make up the vast majority of company licensees/registrants.

Periodic Reporting

- Do you have any suggested modifications to the proposed definitions for Reportable Incident, Catastrophic Event, and Cybersecurity Incident?

A question that begs an answer prior to commenting about reportable incident definition modifications is, *"On what statutory basis does the CSBS derive the authority to require incident reporting at all?"* Just because there was no appreciable industry pushback (as mentioned previously in these comments) when the CSBS exceeded its authority at the outset of the SAFE Act implementation by requiring company licensing and other activities; there is no apparent statutory authority to even need to address the subject of reportable incidents. The CSBS has no authority to require such reporting rendering definitions moot. There are numerous Federal and state level requirements for reporting events such as cybersecurity and catastrophes so why define an issue that should be outside the purview of the system. Given the cottage nature of the industry and the predominance of the traditional broker model in the distribution system, even if CSBS believes it has the authority; events such as terminating lines of credit and vendor availability are the realm of the larger self-funding companies. Anything CSBS does implement in the context of reportable events should be limited coordinating such perceived needs with the state level statutory or regulatory processes including any relevant administrative procedure requirements in law.

- Do you have any additional comments on this proposed new reporting requirement?

Don't overstep. Remove the requirement entirely due to lack of authority to implement the change. If that request is rejected, then at least get the issues properly focused based on the size and complexity of the company and rely on the state's to define the need and have them justified through the existing administrative procedures required for such change.

Documents

- Are there any other documents commonly required for companies engaging in mortgage lending and servicing business activities not included in the Mortgage Business-Specific Requirements?

As a common theme, since there is no statutory authority to impose any procedural requirements on companies, the basic premise of the question is challenged. However, in order to provide direct feedback, it is worth mentioning that in the context of the question”any other documents commonly required for companies” not included in the Mortgage Business-Specific Requirements; RFC “, refers to Appendix 1. **There are no “documents” common or otherwise included in the Appendix.** Therefore, it can only be concluded that the question relates to the Data Requirements. If the objective is to standardize requirements across all states, which will likely not be any more achievable moving forward than it has been to date because many states have statutory requirements which may only be changed legislatively, and the state requirements relate to many of list of Data Requirements, the effort is destined to fail. Further, nothing in the standardization suggested in the request remotely addresses the huge difference in complexity, staffing, and/or risk of one business model over another. To the extent CSBS intends to stand firm on its opinion that it has the authority to impose its will on companies absent such actual statutory authority, it should at least consider the implications by business model and design its solutions based on those differences instead of a “one-industry” model. It is clear that the associations have accumulated adequate financial strength to customize the processes.

Comments/Feedback Regarding the specific data requirements:

Bank Account Information

Why does a small, possibly sole proprietor company have to share bank account information at all. This is an inconsistent requirement today. It should only be required of companies with more complex business models.

- Financial Statements ○ The proposal envisions that start-up companies will be able to submit something less than audited financials (i.e., compiled, reviewed or unaudited). Do you agree with the definition of a start-up company included [here](#)?

No. A startup company in the context of these requirements should be considered any privately held company which has not yet completed two annual Federal tax reporting cycles. But even more objectionable is the question’s premise, “*something less than audited financials*” which implies that if the company is not defined as a startup, it would de facto be responsible for submitting audited financials. If the modernization system intends to mandate this level of financials, which exceeds the level of the majority of states whether for initial approval or annual reporting, then this whatever is being considered which led to this question should be seriously reconsidered.

- Do you agree there should be an exception to the audited financial statement requirement for start-up companies? • If so, what type of financials should start-up companies submit (i.e., compiled, reviewed or unaudited)?

The question seems to presume audited financials are the base. This presumption is not only inconsistent with numerous states' statutory requirements, it reflects the "banker" oriented mentality that pervades the design of the system, reporting and in some cases licensing requirements. Requiring audited financials for the vast majority of the companies that have been subjected to the CSBS interpretation of its authority under the SAFE Act and the various state adopted versions are a ridiculous overreach. Even CPA's generally no longer support micro-size businesses with respect to auditing financials. The work and risk for the CPA's is too great. However, even if the small businesses could locate a CPA willing to prepare audited financials the cost would be more than a small company should be expected to bear. Further, the requirement presumes that absent such third-party intervention the principals managing the financial reporting would intentionally misreport information. The SAFE Act was implemented for two purposes: 1) to establish standards for licensing and 2) establish a baseline for education requirements. None of the vast majority of the licenses are publicly traded. The mortgage companies are formed as LLC's or S-Corps with only a limited number of C-Corps. The shareholders or members are generally the active managers, therefore to require this level of management reporting is totally unsupported. Audited financials are intended to inform and to some degree protect uninvolved shareholders who have no way to know the information is accurate. It is bad enough that some states require audited or compiled financials from such small companies, but the whole concept of external financial reporting from such small, closed held companies with no formal external shareholders or boards of directors flies in the face of the vague "financial responsibility" requirements for individual licensees provided for in the SAFE Act. Additionally, most states require surety bonds and or E&O insurance or similar fund deposits to prove the financial wherewithal to protect consumers. The additional financial reporting and associated distractions and expense are simply unjustified. As opposed to asking if an exception is in order for "start-ups" the CSBS should advocate standardization across all states for the removal of the requirement in total. If CSBS or any other organization has data which can show a nexus between this required financial information, let alone raising it to the level of "Audit", provides actionable information to protect consumers, that data should be provided. However, there is no such historical evidence since the inception of the Act that financial reporting has accomplished any consumer protection. The CSBS has the latitude, except for state requirements, to abandon this unnecessary increase in work and financial burden placed on micro-sized companies. The SAFE Act at 12 USC 5104 (e) without defining content simply calls for "each licensee" (not company) to submit "reports of condition" in such form as the NMLS&R may require. There is nothing about audited financials being the standard. And if the CSBS refuses to consider removing this arbitrary requirement, the existing Mortgage Call Report required Standard Financial Condition Report, especially if the form was improved as it relates to small companies, should be more than adequate. It is understood that such financial reporting may still be required by states and even that should be reconsidered by each state.

○ The proposal states a company obtaining a license that only permits brokering activities and that is not a start-up may provide something less than audited financials. Do you agree with this exception?

Yes. See prior comment.

• If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)?

As indicated in the first comment responsive to this subject, to the extent that the CSBS believes such financial information is necessary, it should improve the form of the existing

Standard Financial Report which is part of the Mortgage Call Report process and offer separate reporting details for traditional non-self-funding mortgage companies versus those companies which operate as non-delegated or fully delegated correspondents or lenders.

- The proposal states a company solely engaged in third-party mortgage loan processing or underwriting and that is not a start-up, may provide something less than audited financials. Do you agree with this exception?

See following

- If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)?

As indicated in responses to the subject of financial statements, there is no need for financial reporting except in the minds of those not responsible for operating such entities. The traditional broker channel and its supporting companies such as independent contract processors do not handle consumer funds and there is no supportable need for proof of financial stability. For those companies which may operate with warehouse facilities, and which do fund loans, the fact is that the existing state level requirements for bonding and/or E&O insurance provides more than adequate proof that the companies are able to withstand issues related to inability to achieve closings and the possible downstream consumer consequences that may relate to earnest money issues or costs of moving, etc. There is no meaningful justification for requiring the level of reporting that presently exists. To the extent this argument is not compelling then simply require the level of reporting in the S-FC in the MCR after addressing the need to offer different formats based on the business model.

Document Requirements

- Are there any policies not listed in the Document Requirements section that should be included?

The entire subject of document requirements needs reconsideration. The CFPB and the state regulators require every licensed company to operate with all pillars of a risk appropriate compliance management system. It is beyond the CSBS charter to impose a process beyond having management of the licensee certify the company has the requisite policies needed to comply with the federal and state laws. There should be no additional required "upload". It is high time that the honesty of the thousands of small business owners are allowed to operate without the government impugning their integrity. While change would be appropriate, there is no real expectation that this feedback will influence the individual states to reconsider their "licensing documentation" requirements" and reflect the intent of the law – standardization for licensing and education, not proof of compliance with rules.

- Are you in favor of the proposed policy certification process?

Only to the extent certification is the only requirement.

- Document Samples

- Are there any document samples not listed in the Document Requirements section that should be included?

No. Certification should be the only requirement. So, if there are specific items that are required, those items should just be part of a list to which the applicant company certifies; not a separate upload.

Location Reporting

- Are there any locations not in the location list that should be added for the mortgage industry?

Has anyone even considered challenging the premise of the need for this information to be provided during the licensing process? The CSBS decided to create a “standardized” system (SES) to support the examination process (hopefully at some future date comments will be requested about that system and its value from a user company perspective) so why not simply have the accounting, cloud service and legal location of records determined during the examination. Asking for it in advance is simply another unnecessary step for small companies to take to provide information that has no value related to licensing. Therefore, **the answer to the question is No**, there are no more necessary locations and the ones listed are superfluous vis a vis licensing.

- Are the location definitions sufficient? ○ If not, please include suggested edits.

They are unnecessary and superfluous. Suggest removing the requirement. If the “regulators” see them as necessary, ask the regulators to provide quantitative justification for the need.

- Is the required information for Company Operated Work Locations adequate? Isn't this information already collected? What is different? And as to Start Date / End Date what happens if addresses change multiple times?

Key Individual Requirements

- Do you support the minimum requirements proposed for the third-party investigatory background checks to be provided when a key individual⁴ has resided outside the United States at any time in the last 10 years?

This entire concept is an overreach. It is beyond the purpose of the SAFE Act. A suggestion like this can only be a justified because the CSBS is relying on its initial success at exceeding its statutory authority because of the perceived potential impact of requiring 500,000+ licensees to submit mortgage call reports and the fact that some states already had existing licensing requirements at the company level. Industry's acceptance of the otherwise unauthorized inclusion of company licensing should not be considered some tacet approval to do more than simply register companies or to follow the existing state requirements, To expand on the already existing set of questions about the company legal entity type and the key individuals simply furthers the historic approach of exceeding the statutory authority vested by the SAFE Act but without the excuse of the need for scale or to accommodate existing law. None of the requirements should be imposed during the licensing process beyond those that presently exist and even with that the process should be reduced to a limited registration process providing basic contact and legal entity/business model information. If during examination the individual

states determine a deficiency or issue with management and control it should be left to the examination process, not be part of the license process.

IMMAAG recognizes its feedback may be received as an affront to the status quo. While the intent is to present candid, unvarnished feedback, in spite of the candor its comments and feedback they are, individually and collectively, meant to generate thought and to be constructive. It is hoped that they may influence considering a different perspective as change is planned and implemented. And as it does with all comments responsive to such requests, **IMMAAG** offers the willingness to become involved with the process more closely in order to bring the perspective of this underrepresented segment of the mortgage distribution system.

Sincerely,

William Kidwell

From: LVANDEWALL@AOL.COM
Sent: Monday, May 1, 2023 11:04 AM
To: Comments
Subject: [External] Comment on Mortgage Business Specific Requirements

I don't think we need to add to the reporting burden that mortgage brokers already have to do.

From: Freddie Riego <fymriego@aol.com>
Sent: Friday, May 5, 2023 6:23 PM
To: Comments
Subject: [External] Comment on the Mortgage Business-Specific Requirements Proposal

Comment on the Mortgage Business-Specific Requirements Proposal

I commend NMLS and CSBS for their effort in providing detailed information and guidelines regarding mortgage licensing and registration. Doing this eliminates confusion and simplifies the application and registration process for NMLS licenses. Please find my comments in blue color font.

Business Activities included in the Mortgage Business-Specific Requirements

- The Mortgage Business-Specific Requirements proposes that all companies engaging in mortgage lending and servicing business activities (e.g., first mortgage brokering, first mortgage lending, and first mortgage servicing) with the exception of appraisal management services will be required to complete the Mortgage Business-Specific Requirements. See Appendix 2 for the full list. Do you agree that all companies engaging in mortgage lending and servicing business activities should be required to complete the Mortgage Business Specific Requirements?

I totally agree 100%. I think it is important for a company who is engaged in mortgage lending and servicing to complete it to make sure that they are qualified and comply with the requirements.

Contacts

- Do you agree that all contacts listed should be required for companies completing the Mortgage Business-Specific Requirements?

I agree that every company should specify a point of contact for each contact listed. So that when a complaint arises, there is a specific person who is knowledgeable in handling those complaints.

- Are there other contacts that are relevant to mortgage activities and should be required?

I guess servicing company – for instances of problems arises regarding title, insurance companies or any other issues related to their department.

- Is it helpful to be able to list a third-party as a contact responsible for the contact types listed in the proposal?

It would be helpful, especially if the mortgage company is new. It's best to hire a third party who is more knowledgeable in dealing with specific complaints, that's their business, so they're the experts.

- When listing a third-party contact, a company will be deemed to have expressly authorized a state agency to contact the third-party without further approval from the company. Does this raise any concerns?

Yes, it does. But it would help to have an agreement between the state agency and the company that before the state agency and third party execute their plan of action to resolve issues - it will be reviewed and approved by the company.

Periodic Reporting

- Do you have any suggested modifications to the proposed definitions for Reportable Incident, Catastrophic Event, and Cybersecurity Incident?
- Do you have any additional comments on this proposed new reporting requirement?

I agree with all the proposed definitions of periodic reporting. It is clear and relevant. These would help guide the company in structuring an effective Risk Management Plan to address issues that may arise in the future. But I find the reporting requirement - five business days is too short. Ten business days should be a reasonable amount of time for the company to recoup and gather all the information they need to report the incidents.

Documents

- Are there any other documents commonly required for companies engaging in mortgage lending and servicing business activities not included in the Mortgage Business-Specific Requirements?

I have nothing to add.

- Financial Statements

- o The proposal envisions that start-up companies will be able to submit something less than audited financials (i.e., compiled, reviewed or unaudited). Do you agree with the definition of a startup company included here?

I agree. It's clear. The NMLS will be able to monitor the company's financial growth, and the requirement is sufficient since the company is just starting.

o Do you agree there should be an exception to the audited financial statement requirement for start-up companies?

Yes, I agree because they are just starting their business, and possible not much to audit yet for them to present an audited financial statement.

- If so, what type of financials should start-up companies submit (i.e., compiled, reviewed or unaudited)?

An unaudited financial statement certified to be true and accurate is enough to show the company's financial status.

o The proposal states a company obtaining a license that only permits brokering activities and that is not a start-up may provide something less than audited financials. Do you agree with this exception?

Yes. I agree because mortgage brokers are not as big as lending or servicing companies. They are mainly mediating between the lenders and borrowers. The one getting most of the income is the lender. The broker only gets a fraction. Also, given the market situation nowadays, with fewer loan applications, annual gross income is not substantial enough to provide an audited financial statement.

- If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)?

Just like start-up companies - an unaudited financial statement certified to be true and accurate would be enough to show the company's financial status.

o The proposal states a company solely engaged in third-party mortgage loan processing or underwriting and that is not a startup, may provide something less than audited financials. Do you agree with this exception?

Yes, I agree. The same with start-up companies and mortgage brokers - they don't have many activities yet to have an audited financial statement.

- If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)?

The same with start-up companies as well - an unaudited financial statement certified to be true and accurate would be enough to show the company's financial status.

Document Requirements

o Are there any policies not listed in the Document Requirements section that should be included?

I have nothing to add.

o Are you in favor of the proposed policy certification process?

Yes, the document requirements proposed are sufficient and relevant for the business. Certifying policies show their effectiveness, and these will guide and help the company avoid problems and recover from disasters that the company may face along the way.

• Document Samples

o Are there any document samples not listed in the Document Requirements section that should be included?

I have nothing to add.

Location Reporting

• Are there any locations not in the location list that should be added for the mortgage industry?

I have nothing to add.

• Are the location definitions sufficient?

o If not, please include suggested edits.

The location definitions are sufficient. I have nothing to add.

• Is the required information for Company Operated Work Locations adequate?

Yes, it is enough information for the NMLS to monitor adequately each applicant.

Key Individual Requirements

- Do you support the minimum requirements proposed for the third-party investigatory background checks to be provided when a key individual has resided outside the United States at any time in the last 10 years?

Yes, I support this minimum requirement for the transparency of the key individual showing his activities while residing outside the U.S. is not violating NMLS policies.

Overall, the proposed Mortgage Business-Specific Requirements are clear and very relevant. Not only improves NMLS policies but help fight the fast-changing and growing advanced schemes of individuals with criminal minds in the industry.

Thank you,

Have a Blessed day

Freddie Riego
President & Owner - Lend 4 You Corp.
Telephone No. : 213-798-1284

From: [Jimmy Gu](#)
To: [Comments](#)
Subject: [External] Comment on Mortgage Business Specific Requirements from Linkage Financial Group, Inc
Date: Tuesday, May 2, 2023 1:02:25 PM

To whom it may concern

This is Linkage Financial Group, Inc
NMLS ID 2281297

We have one comment.

Should NMLS provide an additional reporting system for licensed lenders who are not involved in the mortgage lending?

Best Regards

From: rob loansdirectca.net <rob@loansdirectca.net>
Sent: Tuesday, May 9, 2023 12:54 PM
To: Comments
Subject: [External] Public Comments 2023-1

I'm in favor of reporting any security breaches

I'm NOT in favor of having to submit audited financials to the NMLS or any other mortgage regulator as a mortgage broker. Certainly the DFPI for example would may require this for direct lenders, but as a mortgage broker it's enough already that we have to submit quarterly call reports as well as an annual financial report. It's an additional expense for the company owner to have to pay an accountant to do an audited financial report and is totally unnecessary when we are already reporting our closed loan activity and compensation amounts per quarter.

Thank you,



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Company NMLS ID 353699

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From: Debbie Worley <worley.debbie@gmail.com>
Sent: Wednesday, May 10, 2023 9:36 AM
To: Comments
Subject: [External] Comment on Mortgage Business Specific Requirements

--Deborah Worley
Lone Star Reverse Mortgage, Inc.
debbie@lonestarreversemortgage.com
830-285-8944

Response to Mortgage Business-Specific Requirements Proposal

In order of the questions listed:

1. Do you agree that all companies engaging in mortgage lending and servicing business activities should be required to complete the MBSR?

I feel that it is a bit redundant in that we (as brokers) provide this information to each lender we use. I do understand the efficiency of having all of the information in one place (NMLS).

As far as the remaining questions listed, IF this is required, then I believe the suggested proposals are in line with the ultimate goal.

Debbie Worley
Lone Star Reverse Mortgage
207 Keel Way
Horseshoe Bay, TX 78657
Toll Free 800-307-9113
FAX 866-347-9362
www.lonestarreversemortgage.com
NMLS # 211059

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From: Lorcan Lucey <lorcan@luceymortgage.net>
Sent: Monday, May 1, 2023 10:36 AM
To: Comments
Subject: * [External] Comments: 2023-1

Good morning.

Thank you for allowing me to comment. I am against requiring audited financial statements from third party originating brokers. The last audit I had as a "lender" cost \$12,000. I would rather you have a minimum cash balance in a checking account at the end of each year...etc.. Mortgage brokers remain a source of lower cost mortgages to the public because our cost to operate is lower than banks and lenders.

Third party mortgage loan brokers are heavily screened by wholesale lenders. With credit reports, financial statements, references, and performance of our originated loans.

Thank you.

Lorcan

Lorcan Lucey
Lucey Mortgage Corporation
861 Coleman BLVD, MT Pleasant SC 29464
Direct Line: 843-224-3650
Fax: 888-534-8868

Miriam Pitts
Direct Line: (843) 709-4262
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May 15, 2023

Re: CSBS Proposal: Mortgage Business Specific Requirements

Mr. James Cooper
President and CEO
Conference of State Bank Supervisors
1300 I Street NW, Suite 700
Washington, DC 20005

Dear Mr. Cooper:

The Manufactured Housing Institute (MHI) is pleased to provide comments in response to the Conference of State Bank Supervisors (CSBS) proposal to impose Mortgage Business-Specific Requirements on non-bank licensed mortgage lender/servicers and brokers, as part of NMLS modernization.

MHI is the only national trade organization that represents every segment of the factory-built housing industry. Our members include home builders, suppliers, retail sellers, lenders, installers, community owners, community operators, and others who serve the industry, as well as 48 affiliated state organizations. In 2022, our industry produced nearly 113,000 homes, accounting for roughly 11 percent of new single-family home starts. These homes are produced by 35 U.S. corporations in 146 homebuilding facilities located across the country.

Manufactured housing is the most effective source of unsubsidized housing that serves low- and moderate-income families. Our homes are built in a controlled factory environment in accordance with a federal building code administered by the U.S. Department of Housing and Urban Development (HUD). Unlike site-built homes, which are subject to numerous differing state and local regulations, manufactured homes are built to just one uniform federal preemptive code.

The press release for these CSBS proposed changes touts the proposal by claiming that “*Adopting a standardized approach for mortgage industry licensing will help increase uniformity within the state system. . . In turn, uniform standards will streamline the licensing process for mortgage companies seeking licensure in multiple states.*”

On behalf of our non-bank mortgage lender members and the borrowers they serve, MHI supports these objectives. However, we are unclear how this proposal will achieve these objectives, since there is nothing to stop the myriad of states our nonbanks are licensed in from proliferating additional requirements in addition to the uniform standards in this proposal. We would look forward to hearing from CSBS about its efforts to promote uniformity in this regard.

Moreover, MHI believes that the worthy objectives of uniformity and streamlining are undermined by the increased regulatory burden resulting from the Mortgage Business-Specific Requirements being proposed.

This is compounded by the fact that the new requirements are overly broad, covering areas that can be non-material and that lack an adverse effect. Definitions in the proposed new reporting requirements should be sharpened, in order to achieve an appropriate narrowing to focus on substantive items.

We would note that by making these new reporting requirements overly broad, they undermine the underlying consumer protection and disclosure objectives, since they fail to distinguish between important and non-important disclosures and indiscriminately include both.

The following are our specific comments:

First, we believe that the requirement to report a *“termination of a line of credit or funding source”* is too broad and too onerous. Such reporting would be appropriate if a licensee’s credit line or funding source is terminated by a lender because of a licensee/borrower’s breach of a credit facility. Licensees should not, however, be required to report terminations of credit lines or funding sources that occur in the ordinary course of business when the termination is for a reason other than breach, for example, when a licensee/borrower and/or lender simply decides not to renew or extend a credit line or credit facility.

Notably, the recent string of regional bank seizures could cause credit tightening, encouraged by bank regulators, that could increase the number of warehouse credit withdrawals - and that have nothing to do with the financial condition of the mortgage licensee.

Second, the *“reportable incident”* requirement related to modification or cancellation by a third-party servicer provider (vendor) is too broad. It should be narrowed to include both a materiality and an adverse effect requirement. It serves no purpose to require a licensee to be required to report a modification or cancellation by a third-party service provider that is **not** material, and it serves no purpose to require a licensee to be required to report such a modification or cancellation if it is **not** adverse to the licensee’s ability to conduct its business.

To accomplish these changes, MHI recommends revising the language in # 4. on page 7 by adding the language in **yellow** below so that it reads as follows:

“4. As a result of notification from a third-party service provider, knowledge that the provider will modify or cancel an arrangement which would materially and adversely affect the company’s ability to conduct its business”

Finally, the CSBS request for comment asks about the definitions of *“Catastrophic Event”* and *“Cybersecurity Incident.”* MHI believes that the definitions in the proposal are overly broad and should be reworked to provide a clearer definition that is more constrained.

Thank you for your consideration of these comments.

Sincerely,



Lesli Gooch, Ph.D.
Chief Executive Officer

May 15, 2023

BY EMAIL (comments@csbs.org)

NMLS Policy Committee
Conference of State Bank Supervisors
1129 20th Street, N.W., 9th Floor
Washington, DC 20036

Krista Cooley
Partner

T: 202-263-3315
kcooley@mayerbrown.com

**Re : NMLS Mortgage Business-Specific Requirements
Proposal - Public Comments**

To Whom It May Concern:

On behalf of the Mayer Brown LLP Consumer Financial Services Group, we are writing to respond to the Conference of State Bank Supervisors' ("CSBS") invitation to submit comments and feedback on the Mortgage Business-Specific Requirements Proposal for licenses, registrations and other approvals issued through the Nationwide Multistate Licensing System ("NMLS"). As we understand, the NMLS Policy Committee and State Regulatory Registry LLC ("SRR") has proposed the Mortgage Business Specific Requirements as part of the Licensing Requirements Framework comprised of Core Requirements, Business-Specific Requirements, and License Specific Requirements. We appreciate the opportunity to provide comments and feedback.

Overview / General Comments

Overall, we believe the intent is to create Mortgage Business-Specific Requirements that will capture information presently required by many state regulatory agencies ("State Agencies") to help streamline the issuance of mortgage -related licenses, registrations and other approvals through the NMLS (herein referred to as "Licenses"). While we believe sole proprietors and legal entities ("Company," "Companies" or "Licensees") share with the State Agencies a desire to streamline the process, we have the following overarching concerns:

- One of more of the Mortgage Business-Specific Requirements appear to impose requirements that do not exist under certain state mortgage finance licensing laws and/or regulations promulgated thereunder.
- Some of the proposed requirements relate to matters that are not included within the scope of the basic license eligibility criteria set forth in each jurisdiction, thereby creating standards for licensure that a Company would not be aware that it would need to satisfy based on a plain reading of the applicable statute, rules and/or regulations in a particular jurisdiction. This would, in effect, override the requirements that may have been intended by the state legislature and/or reflected in its legislative intent. In short, it is unclear whether a court would interpret certain of the proposed Mortgage Business-Specific Requirements

NMLS Policy Committee

May 15, 2023

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to have the effect of law, while simultaneously prohibiting applicants from making application unless and until the applicant produces the type of information required to be entered into the NMLS because of the proposed changes.

- Depending on the state, the licensing law applicable to entities that engage in the Business Activities enumerated in Appendix 2 may be the same state law that regulates non-mortgage finance activities, such as commercial and/or consumer loans, which are not secured by mortgage loans. As there are no Business-Specific Requirements for commercial and/or consumer loan activities, it remains unclear how the NMLS will differentiate these activities.
- The requirements imposed may adversely and materially impact small businesses, creating undue burdens and barriers to entry that could serve to stifle competition, reduce availability of credit and, ultimately, increase costs of residential mortgage credit for consumers.

We also encourage CSBS and the State Agencies to consider the fact that a Licensee representative, which, in some states, must be a Control Person, has to attest to the accuracy of the information and documentation made a part of the NMLS Company licensing record. Requiring additional information and documentation that is not explicitly required by statute or regulation or part of the license eligibility criteria substantially increases the time and extent of review required to make a filing through NMLS that requires an attestation. From this perspective, it seems more appropriate for the State Agencies to request and review forms, documents, bank accounts, etc. as part of an operational review or an examination, as opposed to requiring that these materials be made a part of the licensing record. This would significantly reducing back-and-forth exchange with State Agencies to address items that may not be applicable based on activity or license type.

In addition to the preceding concerns, below we address more specific concerns.

Business Activities Included in the Mortgage Business-Specific Requirements

In response to the narrow question, we do not agree that all Companies engaging in mortgage lending and servicing activities, as set for the in Appendix 2, should be required to complete the Mortgage Business-Specific requirements. Below are a few examples of why some of the requirements should not be applicable to all Companies engaging in these activities:

- The Mortgage Business Specific requirements should correspond to the eligibility criteria for licensure. Given that certain types of licenses do not require audited financials, a Company should not be required to provide audited financials to obtain and/or maintain a license unless expressly required by statute or regulation to do so. We further note that the expense associated with having an annual audit prepared can be significant for small businesses.

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- The requirements for obtaining and/or maintaining a licensee should bear a reasonable relationship to risk and responsibility of the activities in which the Licensee intends to engage. We would be surprised to find that many State Agencies view mortgage brokers, which may include lead generators, lead aggregators, and contract processors and underwriters, as posing the same level of risk for consumers as Licensees that make, fund and/or directly service mortgage loans.
- Mortgage lenders that use contract processors and underwriters are likely to dictate to their contractors the form and content of disclosures that these parties must use. Also, the contractor may act on behalf of multiple Companies which may serve to create confusion if the Licensee is required to upload various versions of the documents or disclosures that may or may not be prepared in the contract Licensee's name. Also, in certain instances, a Mortgage Lender Licensee may be held responsible for the actions of its contractors.
- We have concerns regarding the applicability of certain of the Mortgage Business-Specific Requirements to a Master Servicer¹, particularly those Master Servicers that are passive investors in Mortgage Servicing Rights ("MSRs") and do not engage in any consumer facing activities. While we recognize that some states require a Licensee to merely hold MSRs, a passive investor in mortgage loans and/or MSRs that relies on a subservicer to service on its behalf (i.e., has no consumer facing activities), most likely will not have a need to maintain a warehouse line of credit or sample forms/disclosures because the contract with the servicer requires that the servicer comply with applicable law. Also, where the consumer facing activity is conducted in the contract servicer's name, any consumer complaints are likely to arise from activities conducted by the servicer in the servicer's name.

In each of these instances, some of the requirements CSBS proposes as Business-Specific Requirements should be License-Specific requirements based upon the specific activities the Licensee intends to conduct.

Contacts

Adding a contact field for accounting, legal, and licensing may be helpful, but Companies should be able to list multiple contacts for each with the ability to distinguish whether the contact is "internal" or "external." One reason is that the Key Individual Wizard Initiative ("KIWI") requires that the Licensee identify the Highest-Ranking Officer ("HRE") over these functional areas. Clearly, this requires an internal contact. Also, for legal and licensing, Companies may use multiple providers these services. Therefore, giving the Licensee the option of indicating whether the State Agency may contact an external third party directly should be state-specific and/or action

¹ We note that the definition of Master Servicer included in the Proposal does not distinguish between an entity that holds MSRs (i.e., the right to service mortgage loans *owned by others*) and entities that have the right to collect on owned loans. In some states, the definition of servicing only applies to an entity that directly or indirectly services *for others*.

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specific. By way of example, a Licensee may engage the services of a law firm to assist with a specific transaction, such as a change in control, for which the Licensee would like to provide authority for the State Agencies to contact the service provider directly for matters relating to the change in control transaction but would otherwise prefer that the State Agencies contact the HRE for other legal or licensing related matters. Similarly, a Licensee may engage the services of a law firm or licensing service to specifically assist with renewals, exams, or a state specific application for a state that is particularly difficult to navigate, but rely on internal resources for jurisdictions with more straight-forward requirements.

With respect to “Area of Responsibility” contacts, it may be helpful to have an internal contact for Consumer Complaint, Exam Billing, Exam Delivery and Mortgage Call Reports. However, for reasons listed below, we do not believe it is appropriate to require a “Data Breach or Cybersecurity Incident Contact”:

- As addressed in further detail below, we do not necessarily agree with the proposal to require a “Reportable Incident” filing as part of the licensing record.
- Having a contact for a Data Breach or Cybersecurity implies that the Company has experienced such an incident. Also, as we understand, KIWI requires that the Licensee identify the HRE with functional responsibility for Information Security. This should suffice as the primary point of contact for technology-related issues.
- Should a Licensee experience a Data Breach or Cybersecurity, the Licensee may want to engage the services of a subject matter expert to evaluate and assist with the matter. To the extent that Licensee has an explicit obligation to report this type of incident, the Licensee should be able to identify within its formal notice the designated point of contact with responsibility for addressing the matter.

We appreciate that the proposal specifically acknowledges that, by listing an external third-party contact, the Company ultimately is responsible for the “Area of Responsibility,” and would like to see this language incorporated into any written guidance relating the input of an external third-party contact.

Periodic Reporting

We would like to reiterate our position that the NMLS licensing records should be consistent with the state-specific statutes and regulations. Not all Licensees are subject to filing audited financial statements. While we appreciate and support the proposal to allow for unaudited financials for “startup” Companies, the proposal seems to suggest that all Licensees would be subject to filing audited financials after they have been in operation for more than two years. The need to provide an audited financial statement should remain a license specific requirement. Also, we note that some state laws that require an audited financial statement allow the Licensee more than 90 days to provide audited financials. Thus, the deadline for submitting audited financials should be license specific.

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As noted above and for reasons set forth below, we do not support the proposal to incorporate a requirement for “Reportable Incidents” as part of the licensing record:

- Reporting obligations vary by state and, in some states, materials provided as part of the license record may be accessible to the public under a Freedom of Information Act request. Some states allow the Licensee to request confidential treatment of certain matters. By requiring the filing as part of the license record in the NMLS, the Licensee would not have the benefit of this option.
- The definition of Reportable Incident is incredibly subjective and it would be impossible for a license to determine if a matter could be regarded as material to the customers it serves. For example, if a Licensee decides that it will no longer offer a particular product, the customer that it serves may regard this as material, but it may not present a material risk to the Company’s operations.
- The definition includes a materiality risk standard, but then goes on to state that a notice from a third-party service provider may be an example of a material risk. The state specific laws and regulations are clear as to the minimum eligibility requirements for licensure, as well as matters that trigger a reporting obligation. Thus, this should be a state and license specific notice obligation.

One possible solution is to include a disclosure question to ask whether the Licensee has experienced a Cybersecurity Incident and, if so, whether the Licensee has complied with any state specific notice obligation relating to same. This would preserve the option to request confidential treatment where applicable and/or the ability to submit the notice without it being made a part of the licensing record. This is especially if the detailed information included in the notice provides information regarding vulnerabilities, internal control failures or other matters that could prove detrimental to Company, its vendors, or consumers if made available to individuals or entities seeking to obtain this information for nefarious purposes.

Although the term Catastrophic Event is a much more clearly defined in the proposal, we do not recall this as a standard notice requirement under state specific statutes or regulations. It may be that we have never encountered this type of reporting obligation because it is so extraordinary or unique. Assuming that Catastrophic Events are rare, we question the need to incorporate such a notice obligation into standardized Business Specific Requirements. Also, absent an explicit statutory or regulatory reporting obligation, we do believe this type of notice should be incorporated into a Company licensing record.

Finally, as long as a Licensee continues to comply with the basic license eligibility criteria, it should not be compelled to file notice of changes in a relationship with a service provider. Again, it seems as though this serves to create a reporting obligation that may not exist under state specific laws or regulations.

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Data Requirements

To the best of our knowledge, approval numbers and designations have always been required so it is unclear whether this is a new requirement. However, requiring a list of all bank accounts and letter of credit accounts goes far beyond basic licensing criteria and, based on our experience, would create an undue burden for updating the Licensee's NMLS Record. Again, we believe this information should be requested as part of any operational review or examination and should not be made a part of the NMLS licensing record.

Document Requirements

As previously noted, the need to submit audited financial statements should be license and activity specific. These requirements vary according to state specific statutory and regulatory requirements and should not be standardized for all licensees. Also, there may be reasons for not uploading audited financials, even if they are available. If the state specific law(s) under which the entity is licensed does not require the submission of audited financial statements, the NMLS should not compel the Licensee to satisfy a higher standard than that which is required under applicable law. We would be happy to discuss this matter with CSBS in greater detail.

We also would like to clarify whether the request for "Operating Agreement (including all amendments)" is intended to refer to a limited liability company operating agreement that is required as part of the Core Requirements or some other form of Operating Agreement. Also, we note that the proposal suggests that publicly traded companies upload a copy of the most recent Form 10K. However, a Form 10K in standard PDF format typically exceeds the file size for NMLS document uploads.

Policies and Certifications

We support the option of having a Licensee certify that they have in place any required policies and procedures, but this should be in lieu of providing a complete copy of such policies and procedures that may contain proprietary information. Again, the ability to access materials submitted as part of the licensing record through a Freedom of Information Act request could result in parties gaining access to system testing and technology specs that could be used for unintended purposes.

We do not see a reason to object to providing a copy of standard Privacy, Customer Grievance/Complaint and/or Disaster Recovery policies, especially because many Licensees make these policies publicly available. Likewise, it is not uncommon for State Agencies to request a copy of a Licensee's BSA/AML policy; however, we see no reason that a Licensee should have to obtain a BSA/AML risk assessment as a condition of the mortgage activity licensing process unless explicitly required to do so under applicable law.

As for document samples, we believe the request for a consumer complaint notice is not an unreasonable request; however, copies of all customer disclosures and agreements and sample

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contracts for consultants, solicitors and third-party providers is overly broad and burdensome when you take into consideration a nationwide lender with multiple product offerings. Also, sample contracts may contain proprietary information that could compromise a Licensee's competitive advantage if these materials can be accessed by a Licensee's competitors through the licensing records. This should be a license specific requirement or made a part of an operational review or examination.

Location Reporting

We are unclear as to whether Company Operated Work Locations are limited to commercial brick and mortar facilities or whether CSBS intends for Licensees to list all residential employee addresses, as most people work remotely at some point, if even on a limited basis. Again, this seems overly burdensome and difficult to reconcile for purposes of attesting to the NMLS license records.

With regard to accounting and legal services, since a Licensee may list the name of a law firm without any acknowledgment from the legal service providers and without any reference to the scope of legal services provided, we trust this section also will make clear that the HRE over finance and/or legal remains responsibility for the functional area, regardless of whether an external third-party's location is listed in the licensing record. We also do not believe it is appropriate to include a "Start date" as Licensees may not have precise date to report, particularly if they have not yet commenced operations for the location.

Key Individuals

It was our understanding that the KIWI would require the Form MU2, credit report and criminal background checks for the HRE over operations, finance compliance and information security. However, the proposal does not appear to be limited to key individuals over functional risk areas, as it references key individuals in management and associated with BSA/AML. We would appreciate if CSBS could clarify whether this Proposal is intended to expand upon the list of key individuals who will be subject to vetting.

We further note that the Business-Specific Requirements do not reference "voting" interest, which we understood would be a determining factor for ownership disclosures and the term passive investor referenced in Appendix 3 is not specifically defined. Finally, we would like to confirm that the exclusion for "advisory" board members includes board observers and independent board members.

* * * * *

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Again, we appreciate the opportunity to offer feedback. Should you have any questions or would like to discuss comments or questions in more detail with our team, please feel free to contact me via telephone at (202) 263-3315 or via email at kcooley@mayerbrown.com. Thank you.

Regards,

A handwritten signature in blue ink that reads "Krista Cooley". The signature is written in a cursive, flowing style.

Krista Cooley



MORTGAGE BANKERS ASSOCIATION

5/15/2023

Conference of State Bank Supervisors
1300 I Street NW, Suite 700 East
Washington, DC 20005
comments@csbs.org

Re: Mortgage Business-Specific Requirements

The Mortgage Bankers Association (MBA)¹ supports the Conference of State Bank Supervisors (CSBS) seeking to achieve uniformity among state regulator requirements, and where possible with federal policy. Thank you not only for the opportunity to comment on the Nationwide Multistate Licensing System (NMLS) mortgage business-specific requirements proposal (Proposal), but also for the Town Hall presentation on the Proposal that provided more context and conversation about the proposed changes. MBA appreciates CSBS's attempt to streamline the company licensing process and standardize requirements across the states.

CSBS states that the Proposal seeks to modernize and standardize the business-specific requirements within the NMLS license requirement framework in the following areas:

- Business activities included in the mortgage business-specific requirements
- Contacts required in application
- Periodic reporting requirements
- Document requirements
- Location reporting requirements
- Key individual requirements

Overall Comments

MBA believes for the standardization to work, state regulators need to be provided their specific state requirements and agree on interpretation of each element of the

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 400,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,200 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

application. As stated in previous comments on CSBS's modernization efforts, state regulators must limit the amount of activity that is required outside of NMLS. MBA members have long discussed the challenge of licensing inside the NMLS in a given state, and outside the system in part or entirely in another state to effectively achieve the same result in both. Without full state regulator adoption and implementation there will continue to be a bifurcated system with states that fully embrace the NMLS and this proposal, and those states that do not adopt the modernization approach or accept it in part but still require certain documentation to be provided outside the system. To the extent states desire to retain their own configurations, modernization should ensure such configuration occurs within the system to improve workflow for regulators and industry alike. If all state regulators are not willing to implement the new workflow because it does not meet their needs, MBA believes the system will not produce the streamlined process, enhanced user experience, state regulator empowerment, and greater operational efficiencies promised by the Proposal.

In addition to overall concerns about state regulator implementation, MBA and its member companies have more specific suggestions regarding the Proposal, and urge CSBS to consider the following:

- Each state has different requirements and interpretations; CSBS should work to standardize submission without raising the requirements of all states;
- Location reporting requirements should reflect today's acceptance of remote work;
- Communication should be a priority among companies and state regulators when evaluating contacts and key individuals; and
- "Start-up company" thresholds need to recognize current accounting practices.

Standardization with State Differences

CSBS has stated that the documents proposed are "commonly required for companies engaging in mortgage lending and servicing business activities" which implies that each state will have access to the documents the Proposal seeks to standardize. However, each state does not currently require all such documents or additional elements in the Proposal. While states often have statutes that allow their regulator to ask for additional documentation, their statutes or regulations do not govern the review of those additional documents or require them for application consideration. The Proposal does not expressly state how this standardization will account for differences within each state.

During the Town Hall on this Proposal, it was stated a state regulator will not receive certain elements of the application if their statute does not provide authorization. However, it was also stated the states may still receive documents or policies currently not required. MBA would like to understand what elements could be withheld, how they would be withheld from unauthorized states, and what elements would be shared without authorization. The Proposal includes many terms with revised definitions from

current practice or no definition at all, which will lead to more varying interpretations we see today. CSBS should update the Proposal to reflect the complexities of state variation given the number of examples of where this lack of clarity becomes an issue. A few examples illustrate our concerns:

- The Proposal as written would add regulatory elements to many states without addressing the regulatory or statutory process required. One example is within the periodic reporting requirements. A mortgage company must already comply with a patchwork of cyber security incident laws. While this Proposal seeks to standardize these divergent requirements, not every state obliges cyber security incident reporting to be submitted to the state regulator. In the event of a data breach, in Arizona² for example, a mortgage company would not be required to provide notification to Arizona regulators. Without the written statutory language nor rules detailing regulatory expectations for this notification, a mortgage company does not have clear understanding of the process to comply with this new requirement, what steps the Arizona regulator may take after receiving the notification, or how it may impact their license. Additionally, the notification trigger for each state is different and is dependent on which state has residents impacted by a breach or how many are impacted. The inclusion of periodic reporting requirements without clarifying how these differences will be handled creates uncertainty for the mortgage company.
- Another example of where the Proposal needs clarity on these state differences is the Control Person or Key Individual requirements. In the Proposal the Key Individual requirements are expanded to capture more than some states require to be identified. In Oregon,³ the definitions are narrower than outlined in the Proposal. This difference will result in more individuals completing MU2 forms than required by Oregon, without the proper update and regulatory process changes required to assert Oregon's authority to expand these requirements.
- The Proposal states all mortgage licensees will be required to submit certain reports, including audited financial statements. Again, the Proposal does not recognize the varying licensing requirements in the states as outlined on the NMLS Resource Center's Financial Statement worksheet.⁴ Each state has different requirements around financial statements for new or existing licenses and multiple licenses that would be considered under "all mortgage licensees." For example, in Hawaii, the "Exempt Sponsoring Mortgage Loan Originator Company," "Mortgage Loan Originator Company License," and the "Mortgage

² ARS § 18-552

³ OAR § 441-850-0005

⁴ NMLS. (n.d.). Financial statements. NMLS Resource Center.

<https://mortgage.nationwidelicencingsystem.org/slr/common/fs/Pages/default.aspx>

“Servicer License” do not require any financial statements for new or existing licenses. The Proposal would raise the documentation requirements to operate in Hawaii without customary and statutory or regulatory changes.

MBA urges CSBS to make clear how these patchwork requirements will be addressed in any standardization or modernization efforts prior to implementation. A start-up or small existing mortgage company may look to begin operating in states with certain standards. With this Proposal, these smaller companies would be forced to meet the more expansive national standards rather than those in the limited number of states they operate in. This difference will increase the cost of compliance for new entrants and deter small companies from entering new markets, which results in fewer options for consumers and reduced competition.

CSBS has drafted a model bill to provide the states with a path to regulate capital and liquidity standards. To achieve this authority, each state must enact legislation or promulgate regulation based on the CSBS model. The same process should be followed to implement the system modernization standards outlined in the Proposal, which effectively increases many states’ requirements for licensure. MBA and its members are aligned with CSBS in efforts to modernize and standardize licensing, however MBA urges CSBS to uphold many of the variations of requirements within each state. The Proposal should not negate, nullify, or expand state laws and/or regulations on this matter by virtue of system changes currently outlined in the Proposal.

Location Reporting with Remote Work

Since the COVID-19 pandemic, state regulators and industry have been working together to modernize the mortgage origination process as well as regulatory supervision. The current Proposal requires documentation of where “licensed activity” or “company operated work” is occurring but provides no definition to understand the intent of this section. With promulgation of recent remote work laws, rules, and policies in more than half the states there is an acceptance among regulators and mortgage companies that origination activity can happen anywhere, provided appropriate supervision is in place and prescribed consumer and data safeguards are followed. Requiring an applicant to list specific locations will restrict their ability to utilize the flexibility allowed under these state policies. This flexibility benefits both borrowers and Mortgage Loan Originators (MLOs). Remote work provides increased MLO, underwriter, and processor availability, greater service to traditionally underserved borrowers and communities, and allows borrowers to address their concerns throughout the process without regard to in-office hours. It also makes the industry more resilient in times of natural disasters.

MBA recognizes the need to include location requirements regarding the location of any physical record keeping or branch offices within their state as well as the principal office

location. To avoid impeding progress on remote work flexibility, the location reporting requirement should be updated to reflect only these requirements and not based on locations of 'licensed activity.'

Contacts and Key Individuals

MBA does not support the increase in individual contacts required within this Proposal and believes that the current regime is sufficient. Mortgage companies must maintain relationships with state regulators and often have teams dedicated to support regulator requests. State regulators are easily able to connect with key mortgage company staff using the existing current contacts listed in NMLS directly or by request. By including more contacts, the company loses the ability to maintain visibility with each inquiry, exam, or application. Moreover, the proposed increase in specific contacts required to be listed adds another item that must be continuously updated within NMLS as individuals grow and change roles and responsibilities within their firms.

Additionally, MBA appreciates the acceptance of third-party service providers as a mortgage company may contract externally for different services and need the ability to have communication lines open between the third-party and state regulating agency. While this acceptance is appreciated, the Proposal includes a sweeping authorization which may pose unintended consequences by potentially excluding the mortgage company from communication or stall communication for third parties who may not accept the authorization. The proposed authorization does not clarify how the mortgage company would be notified, if at all, with any incoming request nor does it allow varying authorization depending on the regulator inquiry.

A mortgage company should be notified of any inquiry or request made on their behalf. Without this step, communication will inevitably break down and result in less coordination between a mortgage company and state regulators. The modernization efforts of CSBS should work to foster better working relationships between companies and regulators, which should include increased visibility and communication. CSBS should look to provide varying elections of authorization for any third-party contact, in lieu of automatic full authorization. This would allow the mortgage company to dictate which third-parties may have full authorization, if they would like to dictate authorization based on the nature of requests, or if they would like to be notified even with authorization.

Start Up Companies

The financial statement requirements outlined in the Proposal use the term 'start-up company' and define this group based on their publicly traded status, years of operation, and gross revenue above or below \$500,000 as the qualifiers. MBA believes the definition should be clarified to reflect 'net' revenue as the revenue qualifier for the

definition. Without such clarification, revenue would be inflated, and this would result in a distortion of the definition of a start-up company as intended in the Proposal. Under Generally Accepted Accounting Practices (GAAP), gross revenue generally reflects gain on sale/net revenue, which is the amount that is recorded and recognized on the income statement. The proposal should clarify that “gross revenue” as used in the definition of a start-up company is in accordance with GAAP, and therefore is the grossed-up amount of the company’s gross proceeds as reflected in its statement of cashflows. Including this clarification, i.e., gross revenue in accordance with GAAP (reflecting gain on sale), will ensure that the definition uses the correct amount for purposes of classifying an entity. This would help achieve the goal of this Proposal in recognizing true start-up companies.

Conclusion

Once again, thank you for providing MBA with the opportunity to comment on CSBS’ proposed changes to the mortgage business-specific requirements. MBA welcomes the opportunity to engage with you further to modernize NMLS. If you have any questions, please contact Liz Facemire (lfacemire@mba.org or 202-557- 2870).

Sincerely,

A handwritten signature in black ink, appearing to read "Pete Mills". The signature is fluid and cursive, with a large initial "P" and "M".

Pete Mills
Senior VP Residential Policy & Member Engagement
Mortgage Bankers Association

May 15, 2023

SENT VIA ELECTRONIC MAIL

Vickie Peck, Executive Vice President, Products & Solutions
Conference of State Bank Supervisors
1129 20th Street, N.W, 9th Floor
Washington, D.C. 20036
comments@csbs.org

RE: Nationwide Multistate Licensing System
Mortgage Business-Specific Requirements – Public Comment Request

Dear Ms. Peck:

We appreciate the opportunity to submit comments to the Conference of State Bank Supervisors (CSBS) Request for Public Comment for the Nationwide Multistate Licensing System (NMLS) Mortgage Business-Specific Requirements Proposal (“proposal”). We also applaud the efforts to modernize the NMLS and streamline the licensure process among the states. We have provided comments to the proposal below for your consideration in the order of the major components of the proposal.

1. Contacts: Third-Party Contacts should not be independently contacted

The proposal provides that by listing a third-party contact, the company will be deemed to have expressly authorized a state agency to contact the third-party without further approval from the company. We agree with this change, but also recognize that while licensees are expected to keep information up-to-date, occasionally information may not be current, resulting in a third-party contact that may no longer be associated with the company when contacted. Accordingly, we suggest the CSBS and any state regulatory agencies also follow up with the company directly if they do not receive a response from the third-party. Our experience is that most state agencies already reach out to all available contacts when they do not receive a reply, as sometimes state agency emails may get caught in spam filters or otherwise not be received.

2. Periodic Reporting

a. Reportable Incidents: Mandatory reporting exceeds CSBS’s authority

We do not believe CSBS has authority to unilaterally impose mandatory multistate reporting requirements absent federal or specific state law imposing such requirements. We recognize that the intent of this requirement in the proposal is to create uniformity, not for CSBS to perform a legislative function. However, that is the end result of the change. We recommend CSBS strike the periodic reporting of “Reportable Incidents” entirely from the proposal.

To illustrate why we are making this recommendation, we note that many state legislatures have enacted data breach laws and many of those legislatures expressly determined reports of data breach incidents must be made directly to their Attorney General’s office, not the state regulatory agencies. In addition, those existing

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reporting requirements include specific definitions of the personal information covered, thresholds relating to the number of consumers impacted, and safe harbors for data encryption, redaction, and likelihood of consumer harm, among others. The proposed definition of a “cybersecurity incident” is loosely defined and does not include those considerations. Compliance with the proposed definition by the industry could overwhelm state regulatory agencies with reports of incidents with no actual consumer harm. CSBS is disregarding the legislative process that created state data breach laws when it seeks to nonetheless impose a second reporting obligation on companies, without either legislation or rulemaking to support it. The NMLS licensing system is not a substitute for law or regulation and it should not be used in that manner. To the extent that a state legislature would like to expand existing reporting requirements to include notification to state regulatory agency financial regulators, they may enact legislation accordingly. To the extent that a state regulatory agency would like this reporting requirement to exist, they may promulgate a regulation imposing it. Until such time, we do not believe it is appropriate to insert these reporting mechanisms into a proposal that is designed to be a common floor for the entire mortgage industry, when these requirements do not exist in even a simple majority of current mortgage laws or regulations. At a minimum, we suggest that the proposal be amended to apply the periodic reporting requirements only to states where there is an existing statute or regulation imposing such a requirement.

b. Annual Audited Financial Statements: Audited statements are not required by all states

We recommend the reference to “audited” financial statements be removed from the reporting requirement. As mentioned below, a number of state laws do not require audited financial statements for mortgage companies, and there should not be a national reporting requirement for audited financial statements. For example, in Alaska, while a financial statement must be submitted annually in conjunction with a mortgage broker/lender license, it may be an unaudited statement if the company is not licensed in other states imposing a stricter financial statement requirement.¹ In Washington, no statute or regulation requires annual financial statements – either audited or unaudited – for a Mortgage Broker License.² We believe the current reporting requirement for financial statements is appropriate as that reflects the states’ financial statement disclosure requirements.

3. Document Requirements: Individual comments to follow

a. Financial Statements

We read the proposal, as drafted, to require audited financials for all mortgage companies unless they meet the definition of a startup. However, we understand from the public comments at the most recent NMLS Ombudsman meeting and the Town Hall on April 18th that this was not the intent of the proposal. Rather, the intent of the proposal was to clarify and streamline the exemption for startup companies. Provided this is correct, we commend this effort. However, we note for the record that not all states require audited financial statements in connection with an application or renewal, regardless of how long the company has existed. As a result, it would be improper for CSBS to impose that requirement nationally when it does not exist in state law on a comprehensive basis. However, we have not discussed this further as we understand that was not the intent of the proposal.

¹ Alaska Admin. Code tit. 3, §§ 14.054, 14.411.

² See Wash. Rev. Code § 19.146.005 *et seq.*; Wash. Admin. Code 208-660-005 *et seq.*

With respect to the effort to standardize what constitutes a startup, we note that the gross revenue limitation of \$500,000 creates two concerns. First, there are different definitions of “gross revenue” and this will create ambiguity regarding what figures to use. Second, we note that the cost of an audit itself is expensive and time consuming. We have seen audits cost more than \$25,000, even for a startup company. When considering a \$500,000 threshold, this would mean that 5% of the company’s gross revenue (not net income) would be required for an audit. As a result, we recommend a higher threshold of \$10,000,000 be used. This would be a more reasonable threshold in keeping with the cost of a financial audit.

We also suggest that CSBS clarify that financial statements submitted in conjunction with a new license application be tied to the requirement present as of the application date. In other words, since in some states it can take well over a year to process and approve a license application, the originally submitted financial statements may be from longer ago than the previous fiscal year by the time it would be reviewed in connection with the application. The sufficiency of the required financial statements (audited, accountant reviewed, etc...) should be tied to the application date rather than the date reviewed so that applications reviewed shortly after the end of an applicant’s fiscal-year are not further delayed in processing while the end-of-year financial statements are prepared by the applicant’s accountant. In these situations, interim company prepared financial statements could be used by examiners to supplement the prior submitted financial statements to allow the application process to proceed without unnecessary delay.

b. Policies and Certifications

We understand that CSBS has not developed and published all of the specific requirements of the policies and policy certification forms proposed to be required for all mortgage applicants. We suggest that there be a new round of comments once the specifics have been published as it is premature to assess whether the public and industry has comments on the proposed requirements as they have not yet been drafted. Furthermore, we respectfully request that CSBS provide sample policies that would be compliant with the requirements and which companies can modify as necessary and adopt. Finally, we note that some policies may not apply to specific companies and we request the NMLS provide an option for companies to indicate that particular policies and procedures would not apply based upon the company’s specific business activities.

c. Document Samples

The proposal requires uploading copies of documents used in the regular course of business, including but not limited to operating agreements, consumer complaint notices, customer agreements, and third-party contracts. We do not understand why a company’s operating agreement is included here, as it is part of the company’s foundational documents required to create an NMLS account, rather than a document used in the regular course of business. We are uncertain what function providing the operating agreement again would serve.

We have no objection to providing consumer complaint notices and agree that they would be beneficial for state regulatory agencies to assess in connection with the application process. However, we are not clear from the proposal exactly what the requirements of such notices would be. We suggest providing more specifics about how a consumer complaint notice would be deemed compliant, with references to the operative laws dictating the contents of those notices under federal or state law. Alternatively, we recommend removing the inclusion of consumer complaint notices from the requirements.

We also suggest providing clarity regarding the customer agreements and disclosures that must be provided. Customer facing agreements are often updated due to enhancements, changes in product offerings, changes in law, or for other reasons. In addition, often industry participants use standard uniform promissory notes and security agreements in the mortgage industry or use third-party vendors. Clarification is needed regarding this expectation and ongoing expectations with respect to this requirement, otherwise the requirement should be eliminated. Notably, there will be significant regulatory burdens and burdens on regulatory agencies if there is an expectation to upload new customer agreements and disclosures for regulatory review each time a form changes in response to enhancements, changes to practices and changes to law.

Finally, we suggest that third-party contracts be made available on request of the regulatory agency and that they be limited to contracts used repeatedly and within the scope of the applicable regulatory agency's authority and jurisdiction, as provided by the legislature in each state. Contracts with third-parties are often proprietary documents that result from negotiations between parties, are not executed repeatedly, and contain sensitive information. We understand this request to not include every third party contract, but rather those used repeatedly and in the course of operations. Otherwise, we do not believe the inclusion of such a broad, undefined category is appropriate for a common set of requirements. For example, most companies have a contract for janitorial services, and we assume those would not be subject to uploading given they are not used in the ongoing operations of the company. Similarly, companies routinely use a variety of technology providers, but the agreements are specific to the vendor used and not a form contract used repeatedly. We assume these agreements would not be subject to reporting, as they are not a form agreement used repeatedly in the course of ongoing operations. We also note that a company also may not necessarily have a sample of such contracts. A similar issue exists with third-party contracts with counterparties in connection with commercial transactions, servicing contracts and loan sales, as contracts are individually negotiated between the parties and should be outside the scope of items provided in the NMLS.

4. Required Functionality: All states adopting ESBs would be beneficial

While we recognize that not all states have adopted the use of electronic surety bonds (ESBs) and some still require hardcopy paperwork, we fully encourage all states to adopt the use of ESBs. We believe this is a more efficient method to manage surety bond requirements for both the companies and the regulators.

5. Location Reporting: Privacy concerns over certain third-party providers' information should be considered

We do not understand the benefit of this third party identity and location based reporting requirement and we request that the requirement to list accounting and legal service providers and their locations be eliminated.

We understand the benefits of state regulatory agencies having information about who to contact to seek necessary financial and legal information and we take no issue with having designated company contacts for agencies to request that information, or having companies elect to designate outsourced contacts for those purposes. However, we believe this is already in place. We do not understand what purpose the location reporting about in-house providers for accounting and legal services would serve, as it should not matter where they reside or work. In addition, the requirement for disclosure of third-party providers may invoke privacy concerns. For legal services, providing information about the company's legal representation within the NMLS may at times be asking a company to break its attorney-client privilege by even requiring disclosure of the

relationship. Further, an attorney is unable to provide documents to any other party without their client's consent, which would defeat the purpose for which this proposal is being submitted. As a result, the proposal to require disclosure of an attorney and their location is both inconsistent with legal requirements governing legal representation and requiring collection of unnecessary data regarding the physical location of those parties. Instead, it will simply be another data point that a company has to collect and update, despite providing no benefit in comparison to having a designated company contact.

To the extent that accounting and legal contacts are necessary, we believe that having a contact phone number and/or email address provided within the NMLS for any inquiries relating to accounting or legal matters should be sufficient.

We also do not understand what it is about the mortgage industry, as compared to other industries, that would require this to be part of the mortgage industry specific requirements. We note that the limitation of this proposal to the mortgage industry most likely caused other industries to not participate in its discussion, however the footnote in the proposal indicates that this will apply broadly across all NMLS licensees across all industries. The focus of the proposal on the mortgage industry in the titling of the proposal means that other industries will not have reviewed and commented because they believed the communications indicating this was mortgage specific. To that end, should CSBS seek to actually adopt this proposal, we recommend that a supplemental request for common requirements be submitted broadly so that it is clear in its intention to apply to all licensees housed within the NMLS system, rather than including it via a footnote in the mortgage industry specific proposal.

6. Company Operated Work Locations' Information: Location of licensed activity may not account for today's working conditions.

With more and more work across almost all industries being performed remotely, subject to existing regulatory guidelines and limitations, we believe that the company operated work locations reporting requirements should take into account remote work. For example, a company should have the option to indicate "remote" as the location where licensed activities will be performed.

Additionally, we suggest that in lieu of requiring a "branch manager name," a "primary contact" be designated by the company instead. Many companies no longer operate under a traditional branch model, and thus there is no company need for a "branch manager" absent state law requirements to have them, a primary contact may be more practical for a licensee to identify.

Finally, we recommend removing the requirement to provide a "start date" and "end date". Companies have fluid operations in many locations that vary based upon market conditions. For example, the significant rise of interest rates over the past year has resulted in a number of companies ceasing certain activities conducted within each location. Given that companies hold the requisite licenses which provide authority to conduct the activities contemplated within those branch licenses, we do not believe having a start and end date would provide any value. Therefore, we suggest that the date be generated by NMLS upon approval of licensure and surrender of licensure.

7. Key Individual Requirements: Number of individuals implicated may be burdensome with no added benefit to consumers

We recommend that the key individual disclosure portion of the proposal be eliminated entirely. The proposal sets forth four areas for disclosure: operations, finance, compliance, and information security. The NMLS Policy Guidebook already requires disclosure of any person having functional responsibility for the “operational, financial, information technology, compliance, and/or security functions of the company.” Quite literally, the proposal appears to create a new key individual disclosure requirement that is identical to what already exists within the NMLS licensing system for all companies. Given that CSBS already wrote operations, finance, compliance, and information security into the functional responsibilities that are currently subject to control person disclosure, we do not see any benefit to requiring companies to answer these questions again, and track and maintain separate disclosure obligations. While we understand from the proposal footnote that the term “key individual” is derived from the Key Individual Wizard Initiative (KIWI) and that a primary objective of KIWI is to move beyond the traditional definition of control persons, we note that current state laws and regulations, in many cases, already contain a specific legislative definition of “control person” which, in some instances, specifically enumerate titles of executive officers and directors who are presumed to meet the control person definition. Absent specific state legislative change occurring, it is premature to include the KIWI concept within the modernized NMLS functionality.

We also suggest that the credit report and background check requirements should not be triggered solely by identification and disclosure as a “key individual”. The expanded definitions of “key individuals” will likely result in disclosure of a significant number of additional individuals within the NMLS than are currently disclosed under existing guidelines. According to the most recent public CSBS Annual report³, the NMLS system is used by nearly 700,000 companies and individuals. As of December 31, 2022, NMLS housed 33,135 unique state licensed entities which in turn held, 99,490 individual state company licenses and we expect that that number has only grown since the last public report was posted. Individual state regulatory agencies should determine when credit report and background checks are required within the scope of the applicable regulatory agency’s authority and jurisdiction, as provided by the legislature in each state. Continuing to expand the scope of individuals subject to not only disclosure, but also submission of credit reporting and submission of fingerprints in connection with criminal background check authorizations will be unnecessarily burdensome on both the applicant companies and those reviewing and approving the applications. Most importantly, we do not see how requiring such reports on more individuals would provide any additional benefit or protection to the consumer.

Instead, we suggest that the modernization effort consider following New York’s example. In New York submission of fingerprints in connection with criminal background checks are limited to the three most senior executive officers, direct or indirect owners having an ownership interest of 10% or more, Directors and Qualifiers

³ See: <https://www.csbs.org/annualreport2022>

of an applicant at the time of new application submission⁴ and upon a change in such individuals.⁵ We believe that if it is satisfactory to the New York legislature, it should be satisfactory for NMLS system disclosure as well.

Next, we support and applaud the third-party investigatory background checks for key individuals that have resided outside the U.S. in the last 10 years because currently different countries only allow varying items to be reported. This change would provide much-needed uniformity in the area. However, as we note above, we believe this would be most beneficial if applied to the top three key individuals. Obtaining third-party investigatory background checks adds another expense to applicants as the cost of a third-party investigatory background check can differ significantly depending on where the individual resides. While background checks may cost under \$2500 per individual for many jurisdictions, in some cases we have seen the cost billed to clients exceed \$50,000 per individual.

Finally, the proposal states the applicant will be asked how many owners are in the minority interest entry and do a “reasonability test.” However, no information is provided about the reasonability test and its parameters. We take the position that there should not be any ambiguity in a core requirement, and no reasonability test is required. To the extent that a company is owned by a series of small investors, we do not see how it is appropriate to conduct a determination of whether that ownership is “reasonable”.

Given the complexities involved within the proposed Key Individual Requirements, and as it appears that this concept would be applied across industries, this proposal may be better suited for a separate request for comment which includes all licensees housed within the NMLS system so that all entities have the opportunity to submit comments on this common requirement.

⁴ “Such application shall contain the name and complete business and residential address or addresses of the applicant, or if the applicant is a partnership, association, corporation or other form of business organization, the names and complete business and residential addresses of each member, director and principal officer thereof.” NY Bank § 591-a [re: mortgage broker applications].

“The application shall contain the name and complete business and residential address or addresses of the applicant. If the applicant is a partnership, association, corporation or other form of business organization, the application shall contain the names and complete business and residential addresses of each member, director and principal officer thereof.” NY Bank § 591 [re: mortgage banker applicants]. While New York law does not define the term “principal officer” as it relates to mortgage applications, the change of control provisions limit disclosure to the “three most senior executive officers.”

See also, New York Department of Financial Services Fingerprinting Resources:

https://www.dfs.ny.gov/apps_and_licensing/mortgage_companies/fingerprinting_resources, last accessed May 15, 2023.

⁵ “Every mortgage broker and mortgage banker shall within 10 days after a change of any of the directors or the three most senior executive officers, or if different, any officer(s) in charge of the New York operations of the licensed or registered entity submit to the superintendent, in writing: (1) the name, address and occupation of such new executive officer or director; and (2) provide such other information as the superintendent may require.” 3 NY ADC 410.6.

“Every mortgage loan servicer shall within 10 days after a change of any of the directors or the three most senior executive officers or, if different, any officer(s) in charge of the New York operations of the servicer, submit to the superintendent, in writing: (1) the name, address and occupation of such new executive officer or director; and (2) such other information as the superintendent may require to assist in reviewing the application. 3 NY ADC 418.8.

McGlinchey Stafford appreciates the opportunity to provide these comments in request to the Request for Public Comment with respect to the proposal. If you have any questions concerning our comments, or if our firm may otherwise be of assistance, please do not hesitate to contact us. Thank you.

Sincerely,

McGlinchey Stafford PLLC

Handwritten signature of Jeffrey Barringer in black ink.

Jeffrey Barringer
Attorney at Law

Handwritten signature of Amy Greenwood Field in blue ink.

Amy Greenwood Field
Attorney at Law

Handwritten signature of Ben Gross in black ink.

Ben Gross
Attorney at Law

/s/ Robert Savoie

Robert Savoie
Attorney at Law

JBL
22772207.2

From: Steven Seling <steven@mfimortgage.com>
Sent: Monday, May 1, 2023 12:30 PM
To: Comments
Subject: [External] Comments for Proposal 2023-1

1. Documents – Financial Statements – I disagree the requirement for audited financials to be provided by all companies conducting business more than 2 years. And instead recommend the NMLS allow State regulators to decide the level of Financial documents required (Audited, Unaudited, etc). Thousands of mortgage companies operate under regulators who do not require audited financial statements (like Idaho and California DRE), so requiring these companies incur the expense to produce audited financials, creates an unnecessary burden.
2. And yes, I agree there should be an exception to the audited financial statement requirement for start-up companies. This makes sense, because an unlicensed company will have zero income from mortgage operations, so why would we need to verify this with an audited profit and loss statement. Recommendation would be for the start up to provide bank statement(s) showing liquid assets available in their designated bank account. This may also be better left to state regulators to decide, because some state regulators have net worth requirements and may want audited balance sheet verifying net worth is met.

Regards,

Steven Seling
Monument Financial, Inc.



May 14, 2023

To: Conference of State Bank Supervisors
Fr: Marc Savitt, CRMS. NMLS #239263
Mortgage Financing.com, Inc. NMLS #237527

Re: Mortgage Business-Specific Requirements Proposal.

Thank you for the opportunity to comment on the "Mortgage Business-Specific Requirements Proposal." For this proposal, my comments will be limited to issues related to Mortgage Brokers.

Financial Statements for Brokering Activities: I agree with exempting "brokering activities."

Individuals licensed as Mortgage Brokers or Mortgage Brokerages are generally very small operations. Regardless of how they are organized, they often consist of one or two individuals. **Requiring anything more than an "unaudited" financial statement will create a substantial financial burden on mom-and-pop shops.** Furthermore, submission of UNAUDITED Financial Statements should be on an annual basis, due within 90 days of the licensee's fiscal year end. Moreover, with increasing home values and loan amounts, there should NOT be a gross revenue threshold triggering an audited financial statement.

Additionally, since Mortgage Brokers do NOT make loan decisions (approve loans), create mortgage programs or products, or lend their own funds in any loan transaction, audited financial statements are unnecessary.

Concerning third party investigatory background checks, fingerprinting, and credit checks, broker applicants must pay for these services separately for each state where they apply for licensing. As a way of streamlining the process and reducing costs, I suggest NMLS should share the results of these investigatory checks with each state where an applicant applies for licensing.

If you have any questions, please contact me at 304-267-9040, or msavitt@mortgagefinancing.com

Thank you,

Marc Savitt, CRMS. President, Mortgage Financing.com, Inc.

Central Processing Center
115 Aikens Center, Suite 20-B
Martinsburg, WV 25404
850-240-7779
540-550-4496 - Text
Email: info@mortgagefinancing.com



Nationwide Multistate Licensing System
NMLS # 237527
NMLS # 239263
Florida: MBR 2323
West Virginia: MB-20235

From: Jeff Kolbus <jeff.kolbus@mottomortgage.com>
Sent: Monday, May 1, 2023 3:49 PM
To: Comments
Subject: [External] FW: Reminder: Request for Comment: Mortgage Business-Specific Requirements Proposal

The proposal seems reasonable.

Thanks,

Jeff

Jeff Kolbus
NMLS #2311177
Motto Mortgage Key Partners (NMLS#2293680)
3622 N. Knoxville Ave.
Peoria, IL 61603
309/208-7718

From: NMLS <donotreply@csbs.org>
Date: Monday, May 1, 2023 at 10:08 AM
To: Jeff Kolbus <jeff.kolbus@mottomortgage.com>
Subject: Reminder: Request for Comment: Mortgage Business-Specific Requirements Proposal

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Reminder: Request for Comment on the Mortgage Business-Specific Requirements Proposal Due May 15

Reminder: Comments on the NMLS Mortgage Business-Specific Requirements Proposal are due Monday, May 15 at 5:00 p.m. EST.

On behalf of the NMLS Policy Committee, CSBS invites public comments and feedback on the NMLS Mortgage Business-Specific Requirements Proposal (Proposal 2023-1). [Click here](#) to review the proposal and request in detail.

Comment Process

Each company should submit one response that represents its feedback on the proposal. Comments/feedback should be emailed to comments@csbs.org. See the *Comment Process* in the proposal for full details.



Follow us on Twitter @NMLSInfo

This message was sent to jeff.kolbus@mottomortgage.com by donotreply@csbs.org
1129 20th Street, N.W., Washington, DC, 20036



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From: [Dan Wolfe](#)
To: [Comments](#)
Subject: [External] Public Comment - Proposal 2023 -1 NMLS Modernization
Date: Monday, May 1, 2023 1:16:39 PM
Importance: High

To Whom It May Concern,

After review of the proposal our comments to the NMLS Policy Committee are below:

1. Do you agree that all companies engaging in mortgage lending and servicing business activities should be required to complete the Mortgage Business Specific Requirements?
 - a. Yes, with the exception of the Bank Account Information and Audited Financial Statements.
 - i. First, Bank Account Information. We disagree with this because of the adversarial risks out there including wire fraud facing our industry, we think it's not in the best interest of a company with fiduciary responsibility to post critical banking information on a site that could be subject to breaches. We are sure the NMLS is not immune to being a target and this would sweeten the deal for any successful attacks. On April 19, 2023 the CFPB announced one of their employees breached 256,000 consumer accounts. This highlights both the external and internal risks everyone faces. Therefore, we do not align with the notion that our private information would be safe.
 - ii. Second, Mortgage Business Specific Requirements. We disagree with this because this requirement would be significantly difficult for a small business to meet annually both financially and administratively. Our experience tells us the cost for an independent firm to conduct these types of audits range from \$30,000-\$50,000, which if one could look at this from a common sense perspective might acknowledge this is an inordinate amount of money for a small business to absorb annually. If passed it would drive costs up on an already expensive process for consumers in an already challenging market. In addition, accounting firms can be selective, i.e. there is a sense that there are not enough accounting firms willing to take on "small" accounts because they may not be big enough. For context, we are a small business and my 3rd party accounting cost is approximately \$43,000 per year. This does not include any internal headcount or cost of time dedicated to internal procedures and reconciliation. Therefore, we do not align with this detail of the proposal.

If we understood the statistical significance as to why the committee felt the two items above were required for licensees perhaps our view would be different.

Thank you for the consideration.

Respectfully,

Dan Wolfe

President at New Home Lending Company

Phone 253-564-2209 **Mobile** 801-638-8458

Email dan.wolfe@newhomelending.com

1215 Regents Blvd Suite 1B, Fircrest, WA 98466

NMLS: 2060530 | An Equal Housing Lender

From: [Samuel Martinez](#)
To: [Comments](#)
Subject: [External] Comment on Mortgage Business Specific Requirements
Date: Monday, May 1, 2023 11:33:56 AM

Hello,

My company NMLS is 1836514

After reviewing 2023-1, it seems like across the board, if I read it correctly, there will be more reporting and documentation due. Respectfully, I believe that is over regulation and what we have to report every year as it is, is pretty hefty. I don't agree with the implementation of any of these additional requirements. But if they become new policy, I don't have much of a choice.

I hope that helps

Sam Martinez
NMLS 1446926
Odyssey Business Development LLC/DBA Elite Loan Advisers
Owner/Manager
Dir 916 585 2432

From: Scott Clark <sclark@ownerbuilderloans.com>
Sent: Monday, May 15, 2023 1:15 PM
To: Comments
Subject: [External] Mortgage Business-Specific Requirements

You don't often get email from sclark@ownerbuilderloans.com. [Learn why this is important](#)

We believe that the proposals, as submitted, will help streamline the licensing process and provide greater opportunities for new licensees to focus on the specific types of business they will conduct. It will also provide a more standard practice in various areas that we hope individual states will adopt to make it easier to be licensed from state-to-state.

Sincerely,

Scott Clark

Scott Clark
NMLS # 242041
Office: 480.933.6220 Ext. 104

Owner Builder Loans, LLC NMLS # 1207986
14301 N. 87th St., Suite 106
Scottsdale, AZ 85260
sclark@ownerbuilderloans.com
www.ownerbuilderloans.com



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From: [Peggy Aldinger](#)
To: [Comments](#)
Subject: [External] Comment on Mortgage Business Specific Requirements
Date: Monday, May 1, 2023 2:27:46 PM

I don't agree with any of these additional proposals. The nmls already heavily regulates individuals and companies in my opinion



Peggy Aldinger
Broker/Owner
Pacific Cove Realty and Loan
[714-454-2748](tel:714-454-2748) direct
www.Paccove.com
DRE# 01495022
Company NMLS# 2315214
Individual NMLS# 1997686

From: [Elaine Roccio](#)
To: [Comments](#)
Subject: [External] Comment on Mortgage Business Specific Requirements
Date: Monday, May 1, 2023 12:20:15 PM

NMLS was originally created to make sure "bad actors" in the mortgage business were flagged, in the event they moved to another state to start over again.

Since then NMLS has expanded it's original mandate to become a very invasive organization into the workings of every mortgage company.

We should NOT be scrutinized as if we were a branch of the federal government.

I do NOT support any further expansion of NMLS into Mortgage Business requirements.

Elaine Roccio
Broker/Owner
PFI Financial, Inc.
elaineroccio@aol.com

From: [Tuan Vo](#)
To: [Comments](#)
Subject: [External] Public Comments 2023-1
Date: Monday, May 1, 2023 1:28:13 PM

For 2023-1 public comments

I'm in favor of reporting any security breaches

I'm NOT in favor of having to submit audited financials to the NMLS or any other mortgage regulator as a mortgage broker. Certainly the DFPI for example would may require this for direct lenders, but as a mortgage broker it's enough already that we have to submit quarterly call reports as well as an annual financial report. It's an additional expense for the company owner to have to pay an accountant to do an audited financial report and is totally unnecessary when we are already reporting our closed loan activity and compensation amounts per quarter.

Thank you



Tuan Vo

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From: [Mike Pacheco](#)
To: [Comments](#)
Subject: [External] Comment on Mortgage Business Specific Requirements
Date: Monday, May 1, 2023 3:07:52 PM

Hello,

I am writing in support of the exceptions for audited financial statements for brokers and start ups, as currently written. The cost and time requirements of audited financials is heavy. For those that don't directly lend money, and are usually smaller entities, it is an unnecessary burden that will shutter some offices and limit competition for the consumer.

Thank you,



Mike Pacheco

President | Loan Broker

DRE # 01383353 NMLS # 236302

E: mike@qualifiedhomeloans.com

O: 949-528-3967 | **F:** 949-528-3967

23330 Mill Creek Dr #150, Laguna Hills, CA 92653

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From: [Ron Fronckowiak](#)
To: [Comments](#)
Subject: [External] Public Comment for Mortgage Business-Specific Requirements Proposal
Date: Monday, May 1, 2023 12:20:10 PM

I am the sole MLO and employee of my company, R&R Funding, a registered mortgage broker with the NYS Department of Financial Services. As a result, much of the request for public comment does not apply or is irrelevant.

1. **Business Activities included in the Mortgage Business-Specific Requirements:** Do you agree that all companies engaging in mortgage lending and servicing business activities should be required to complete the Mortgage Business Specific Requirements? [Yes](#).
2. **Contacts:** Do you agree that all contacts listed should be required for companies completing the Mortgage Business-Specific Requirements? [N/A](#)
3. **Contacts:** Are there other contacts that are relevant to mortgage activities and should be required? [N/A](#)
4. **Contacts:** Is it helpful to be able to list a third-party as a contact responsible for the contact types listed in the proposal? [N/A](#)
5. **Contacts:** When listing a third-party contact, a company will be deemed to have expressly authorized a state agency to contact the third-party without further approval from the company. Does this raise any concerns? [N/A](#)
6. **Periodic Reporting:** Do you have any suggested modifications to the proposed definitions for Reportable Incident, Catastrophic Event, and Cybersecurity Incident? [No](#).
7. **Periodic Reporting:** Do you have any additional comments on this proposed new reporting requirement? [No](#).
8. **Documents:** Are there any other documents commonly required for companies engaging in mortgage lending and servicing business activities not included in the Mortgage Business-Specific Requirements? [No](#).
9. **Documents/Financial Statements:** The proposal envisions that start-up companies will be able to submit something less than audited financials (i.e., compiled, reviewed or unaudited). Do you agree with the definition of a startup company included here? [Yes](#).
10. **Documents/Financial Statements:** Do you agree there should be an exception to the audited financial statement requirement for start-up companies? [Yes](#).
 1. If so, what type of financials should start-up companies submit (i.e., compiled, reviewed or unaudited)? [Unaudited](#).
11. **Documents/Financial Statements:** The proposal states a company obtaining a license that only permits brokering activities and that is not a start-up may provide something less than audited financials. Do you agree with this exception? [Yes, in entirety](#).
 1. If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)? [Unaudited](#).
12. **Documents/Financial Statements:** The proposal states a company solely engaged in third-party mortgage loan processing or underwriting and that is not a startup, may provide something less than audited financials. Do you agree with this exception? [Yes](#).
 1. If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)? [Unaudited](#).
13. **Documents/Document Requirements:** Are there any policies not listed in the Document Requirements section that should be included? [No](#).
14. **Documents/Document Requirements:** Are you in favor of the proposed policy certification process? [No comment](#).
15. **Documents/Document Samples:** Are there any document samples not listed in the Document Requirements section that should be included? [No](#).
16. **Location Reporting:** Are there any locations not in the location list that should be added for the mortgage industry? [N/A](#)
17. **Location Reporting:** Are the location definitions sufficient? [N/A](#)
18. **Location Reporting:** Is the required information for Company Operated Work Locations adequate? [N/A](#)
19. **Key Individual Requirements:** Do you support the minimum requirements proposed for the third-

party investigatory background checks to be provided when a key individual has resided outside the United States at any time in the last 10 years? [Yes](#).

--

Ron Fronckowiak

PRESIDENT & MORTGAGE LOAN ORIGINATOR, NMLS #7054



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C: 716-316-7141

10 SUSSEX LN, LANCASTER NY 14086

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Monday, May 15, 2023

Conference of State Bank Supervisors
1129 20th Street, NW
Washington, DC 20036
comments@csbs.org

Re: NMLS Mortgage Business-Specific Requirements Proposal

Rocket Mortgage, LLC ("Rocket Mortgage") appreciates the opportunity to provide comments on the Conference of State Bank Supervisors' ("CSBS") NMLS Mortgage Business-Specific Requirements Proposal ("Proposal") and looks forward to offering additional feedback to the CSBS as it seeks to modernize and evolve the platform to better serve the needs of both regulatory agencies and licensees. Rocket Mortgage steadfastly supports the CSBS's goal of the NMLS modernization work creating a system of increased networked supervision among participating state regulatory agencies. Rocket Mortgage believes alignment on common state legal and regulatory requirements is imperative in facilitating any such efficient networked supervision system. Rocket Mortgage understands such uniformity is a difficult task given the various stakeholders involved, but believes the CSBS's efforts to advance the NMLS platform will encourage participating states to increasingly consider uniform compliance requirements while also allowing for certain state differences to be accounted for and managed in the same centralized platform - NMLS.

Overview

This comment letter specifically addresses four (4) particular aspects of the Proposal: contacts, periodic reporting, location reporting, and key individual requirements. In addition to that specific feedback detailed below, Rocket Mortgage is generally concerned the standards detailed in the Proposal go beyond applicable legal and regulatory licensing requirements under many state mortgage licensing regimes. Rocket Mortgage wants to ensure the decisions made by the CSBS in finalizing the Proposal are not construed as adding compliance requirements that are not expressly outlined in state statutes, regulations, or other authoritative sources. Rocket Mortgage respects the difficult position the CSBS is in given its NMLS modernization work must ultimately respect that variations across state mortgage compliance requirements make standardization at times impossible. Rocket Mortgage believes the overarching goal in modernizing NMLS should be to allow states to collect and manage to the specific mortgage licensing requirements dictated by their relevant state statutes and regulations, while not expanding compliance

requirements via NMLS in states that do not regulate or otherwise address certain issues under existing applicable state legal authority.

Contacts

Although Rocket Mortgage understands the CSBS's motivation in proposing the addition of new licensee contacts in NMLS for state mortgage licensees, Rocket Mortgage views such additions as negatively impacting effective communication between regulators and licensees. The existing points of contact in NMLS ensure clear ownership regarding NMLS contacts and communications among mortgage licensees. By adding more contacts, especially when working with larger licensees, the chance of the notification being overlooked increases as communication with regulatory agencies is unlikely part of the Proposal's additional contacts' day-to-day duties. Under the current set of contacts in NMLS, the primary company contact regularly works with state regulators and is always proactively monitoring for communication from such entities. This NMLS communication specialization better allows licensees to intake inquiries from state regulators and respond to them more expediently by routing them quickly to the proper team or department for handling.

Periodic Reporting

Rocket Mortgage supports NMLS being more efficiently leveraged for reporting certain information – such as Cybersecurity Incidents – to state regulators; however, the Proposal appears to require Rocket Mortgage complies with independent NMLS reporting requirements in states where no such compliance requirements exist today. Standardizing certain of the proposed periodic reporting requirements in NMLS may negatively impact licensees and create uncertainty among state regulatory agencies. Not all states require reporting of the proposed Reportable Incidents, Catastrophic Events, or Cybersecurity Incidents, making it unclear how such states would treat a licensee's notification via NMLS reporting of these events. Additionally, states that do require notice of things like Cybersecurity Incidents generally only require notice where a state's citizens are impacted. Under the Proposal, states may be inappropriately led to believe a given event impacted their constituents just because it was reported as an Event/Incident in NMLS Enabling NMLS to allow licensees to limit or dictate which states these events are reported to would ensure that only impacted states that require such a notification get that information from NMLS.

Location Reporting

The Proposal's location reporting requirements do not appear to recognize the widespread adoption of remote work flexibility in the aftermath of the shelter-in-place and other restrictions imposed by the COVID-19 pandemic. Rocket Mortgage and a number of state regulatory agencies have been at the forefront of remote work modernization, which generally permits certain mortgage-related activity to occur from unlicensed locations (such as an employee's residence). The proposed language for location reporting would severely impact the progress made with remote work and would create a reporting environment in NMLS that is not aligned with the flexibility of state remote work regimes. Many states have adopted remote work legislation, regulations, and/or other authoritative guidance allowing licensees to permit remote work if certain standards are met by the licensee and employees working remotely. It would be odd and contradictory to require licensees to list remote work locations where "licensed activity" will occur when doing so does not rise to the level of requiring a licensed, registered, or otherwise approved branch location in an increasingly majority of states. The obligation to track and manage where licensed activity will occur in states that allow remote work should be handed internally by licensees. Currently, licensees are required to report any licensed branches in NMLS. Under the Proposal, licensees would need to report "all locations" where licensed activity will occur, with licensees forced to cautiously 'over report' by listing any locations that may be used on an infrequent basis at the convenience of the consumer or risk 'under reporting' such locations. Rocket Mortgage recommends striking the reporting requirement based on the existence of "licensed activity" at a given location; instead, NMLS reporting should be limited to licensed/registered branch locations, document storage locations, and principal locations. In addition, the term "start date" should be removed from licensed branches and principal locations as the start date must align with the approval of the corresponding license for the location at issue.

Key Individual Requirements

The proposed key individual wizard ("wizard") is a novel attempt to simplify the selection of key individuals for licensees; however, due to the vast number of definitions for "key individuals" across applicable state mortgage licensing laws, it may result in over reporting in a number of states. Like location tracking and maintenance, the selection of key individuals should be done by licensees in accordance with the specific states the licensee is seeking or maintaining licensure. By applying a broad-brush standard with the wizard, licensees may list more individuals than are required in a given state, creating unnecessary work and scrutiny (credit/background check) of individuals who are not legally required to

LEGAL

be listed or otherwise vetted. If the CSBS wishes to create an effective wizard, the state of licensure –and their corresponding definitions/requirements – must be included and considered.

Conclusion

Rocket Mortgage appreciates the opportunity to comment on the Proposal being considered by the CSBS. As a shepherd of modernization for the mortgage industry, we look forward to continued collaboration with CSBS as it works to improve NMLS for all participants. If you have any questions, please reach out to Michael Stidham at MichaelStidham@rocketmortgage.com or (313) 946-1699.



Michael Stidham
Director, Regulatory Affairs
Rocket Mortgage, LLC

From: Carlik@sanbornmortgage.com
Sent: Monday, May 15, 2023 2:16 PM
To: Comments
Subject: [External] Comment on Mortgage Business Specific Requirements

You don't often get email from carlik@sanbornmortgage.com. [Learn why this is important](#)

Comments submitted by Carli Kilcomons of Sanborn Mortgage Corporation

Business Activities Included in the Mortgage Business-Specific Requirements

Yes, I agree that all companies engaging in mortgage lending & servicing business activities should be required to complete the mortgage business specific requirements.

Contacts

Yes, I agree that all contacts listed should be required.

I believe that 'other contacts' and 'third-party contacts' will be dependent on the size and type of mortgage company. I don't believe a 'third-party contact' will raise concerns if they are contracted by a company to handle the information being requested.

Periodic Reporting

No, I don't have any suggested modifications to the proposed definitions for Reportable Incident, Catastrophic Event, and Cybersecurity Incident.

Documents

No, I don't believe there are any other documents commonly required for companies engaging in mortgage lending and servicing business activities not included in the Mortgage Business-Specific Requirements.

Yes, I agree with the definition of a start-up company.

Yes, I agree with an exception to the audited financial for statement requirement for start-up companies and agree that there should be another requirement but do not feel comfortable in commenting on what that requirement should be because that is not my area of expertise.

I do not feel comfortable commenting on audited financial requirement for companies that only permit brokering activities as that is not my area of expertise.

If a company (not a start-up) is solely engaged in third-party mortgage loan processing or underwriting I agree with an exception to provide something less than audited financials due to the fact that they are not involved in the originating of loans. Once again I do not feel comfortable commenting on they type of financials that should be submitted.

I do not see any policies not listed in the Document Requirements section that should be included.

For medium/large companies I agree with the proposed policy certification process. For smaller companies, I think it should depend on what type of licenses the owner(s)/employee(s) have. If all owner(s)/employee(s) are licensed MLOs then they had to have the necessary/required education, pass the exam, and complete annual continuing education. Therefore I think the BSA/AML Policy & Gramm-Leach Bliley Privacy Act Policy should be waived.

In my opinion there are no documents missing from the Document Samples section that should be included.

Location Reporting

I can not think of any locations not in the location list that should be added for the mortgage industry.

Yes, I believe the locations definitions are sufficient.

Yes, I believe the required information for Company Operated Work Locations is adequate.

Key Individual Requirements

Yes, I support the minimum requirements proposed for 3rd party investigatory background checks.

Thank you,
Carli Kilcomons
Vice President
Sanborn Mortgage Corporation
35 North Main Street
West Hartford, CT 06107
(P) 860-561-1677
(F) 860-236-4761

From: Melinda Truitt <Melinda.Truitt@mottomortgage.com>
Sent: Tuesday, May 2, 2023 2:50 PM
To: Comments
Subject: [External] Comments on NMLS Modernization

Business Activities included in the Mortgage Business-Specific Requirements

- The Mortgage Business-Specific Requirements proposes that all companies engaging in mortgage lending and servicing business activities (e.g., first mortgage brokering, first mortgage lending, and first mortgage servicing) with the exception of appraisal management services will be required to complete the Mortgage Business-Specific Requirements. See Appendix 2 for the full list. Do you agree that all companies engaging in mortgage lending and servicing business activities should be required to complete the Mortgage Business-Specific Requirements? **Yes**

Contacts • Do you agree that all contacts listed should be required for companies completing the Mortgage Business-Specific Requirements? **Yes**

- Are there other contacts that are relevant to mortgage activities and should be required? **No**

- Is it helpful to be able to list a third-party as a contact responsible for the contact types listed in the proposal? **Yes**

- When listing a third-party contact, a company will be deemed to have expressly authorized a state agency to contact the third-party without further approval from the company. Does this raise any concerns? **No**

Periodic Reporting

- Do you have any suggested modifications to the proposed definitions for Reportable Incident, Catastrophic Event, and Cybersecurity Incident? **No**

- Do you have any additional comments on this proposed new reporting requirement? **No**

Documents

- Are there any other documents commonly required for companies engaging in mortgage lending and servicing business activities not included in the Mortgage Business-Specific Requirements? **No**

Financial Statements

- o The proposal envisions that start-up companies will be able to submit something less than audited financials (i.e., compiled, reviewed or unaudited). Do you agree with the definition of a startup company included here? **Yes**

- o Do you agree there should be an exception to the audited financial statement requirement for start-up companies? **Yes**

- If so, what type of financials should start-up companies submit (i.e., compiled, reviewed or unaudited)?

- o The proposal states a company obtaining a license that only permits brokering activities and that is not a start-up may provide something less than audited financials. Do you agree with this exception? **Yes**

- If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)?

Compiled

- o The proposal states a company solely engaged in third-party mortgage loan processing or underwriting and that is not a startup, may provide something less than audited financials. Do you agree with this exception? **Yes**

- If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)?

Unaudited

Document Requirements o Are there any policies not listed in the Document Requirements section that should be included? **No**

o Are you in favor of the proposed policy certification process? **Yes**

- Document Samples

o Are there any document samples not listed in the Document Requirements section that should be included? **No**

Location Reporting

- Are there any locations not in the location list that should be added for the mortgage industry? **No**

- Are the location definitions sufficient? **Yes**

o If not, please include suggested edits.

- Is the required information for Company Operated Work Locations adequate? **Yes**

Key Individual Requirements

- Do you support the minimum requirements proposed for the third-party investigatory background checks to be provided when a key individual 4 has resided outside the United States at any time in the last 10 years? **Yes**

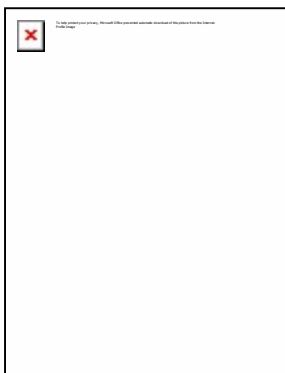
4 The term key individual is derived from the Key Individual Wizard Initiative (KIWI). A primary objective of KIWI is to move beyond the traditional definition of control person. Instead, the KIWI identifies persons serving in specific areas of functional responsibility and those that are responsible for minimizing risks associated with the applicant's business activities. Another objective of KIWI is to identify those individuals who may have undue influence based upon percent of ownership. As a practical matter the terms "control individual" and "key individual" are synonymous.

Blessings!

Melinda Truitt

Signature Lending Resources LLC

NMLS #1892463



Melinda Truitt

Mortgage Loan Originator

NMLS # 399001

Motto Mortgage Signature

7701 W Eldorado Pkwy #600

McKinney, TX 75070

NMLS #1892463

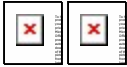
Phone: 469-480-4699 ex. 102

Mobile: 972-951-0686

Melinda.Truitt@mottomortgage.com

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From: emmett.clark@southlandhf.com
To: [Comments](#)
Subject: [External] Public Comments 2023-1
Date: Monday, May 1, 2023 1:17:48 PM

For 2023-1 public comments

I'm in favor of reporting any security breaches

I'm NOT in favor of having to submit audited financials to the NMLS or any other mortgage regulator as a mortgage broker. Certainly the DFPI for example would may require this for direct lenders, but as a mortgage broker it's enough already that we have to submit quarterly call reports as well as an annual financial report. It's an additional expense for the company owner to have to pay an accountant to do an audited financial report and is totally unnecessary when we are already reporting our closed loan activity and compensation amounts per quarter.

Thank you

Emmett Clark
NMLS 233747 and business owner NMLS 244339 of Southland Home Finance.

Jennifer S. Riggs

*Board Certified in Administrative Law
Texas Board of Legal Specialization
jriggs@r-alaw.com*

RIGGS & RAY

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512 457-9066 FACSIMILE

Jason Ray

*Board Certified in Administrative Law
Texas Board of Legal Specialization
jray@r-alaw.com*

May 15, 2023

Conference of State Bank Supervisors
1300 I Street NW, Suite 700 East
Washington, DC 20005

Via email to Comments@csbs.org

Re: Public Comment on Conference of State Bank Supervisors' Proposal for Mortgage Business-Specific Requirements

To Whom It May Concern:

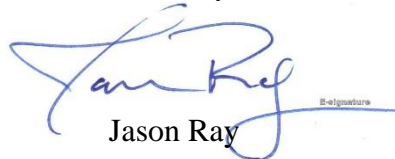
Our law firm represents the Texas Land Developers Association with regard to the Conference of State Bank Supervisors' request for public comment and feedback on its Mortgage Business-Specific Requirements Proposal. The Texas Land Developers Association (TLDA) is a group of like-minded landowners who are the first line developers in rural and suburban Texas. To be clear, a significant part of TLDA's target market consumers are buyers that want to take advantage of undeveloped minimally developed areas, where they can enjoy lower purchasing costs, lower taxes and the ability to realize their dream of land and/or homeownership on a timeline that fits their specific financial situation. This puts TLDA members and their small businesses in a unique position vis-a-vis state and federal mortgage regulatory functions, because some of the standards applicable to even non-depository mortgage lenders are inapplicable or irrelevant to owner-financed sales of minimally-developed raw land. Nevertheless, TLDA members closely monitor the industry's compliance with all statutes and regulations, especially those concerning consumer disclosures and protections; indeed, the industry has seen no state or federal complaints in more than two decades.

TLDA landowner-developers often originate and seller-finance the lots that they sell because the developer's consumers usually have intermittent work history, damaged credit, or limited income potential. The consumers who purchase undeveloped residential lots tend to be a low income population with no traditional credit rating to rely on. Most TLDA developer mortgage loans reflect the nature of the relatively small land purchase—from \$30,000 for a standard residential lot mortgage in a rural area to no more than \$150,000 for a small home and lot in a suburban development. These consumers do not qualify for conventional Fannie Mae or Freddie Mac financing, and none of these mortgage notes are federally insured or guaranteed. Due to the nature of these small private non-bank loans, TLDA members often service their own residential mortgage loans themselves or through a closely held affiliate company. This background is important because it highlights the cost-sensitive nature of a significant Texas consumer population that wants to participate in the housing market, but for whom the traditional mortgage industry has either failed or refused to serve. The addition of costly regulations would make the sale, development, and procurement of mortgage loans cost-prohibitive for buyers of residential undeveloped lots and smaller investors. More to the point, TLDA members are low volume, low dollar, low margin businesses that may be disproportionately affected by regulatory requirements meant to address the large, traditional mortgage banking and mortgage servicing industry.

TLDA members' concerns echo those of similarly situated stakeholders who fear the increased reporting costs associated with, for example, audited financial statements, would be as financially devastating as they would be untenable. Regularly audited and reported financial statements for such small scale businesses would be very difficult to secure from independent CPAs. The costs associated with such audited reporting requirements would likely exceed tens of thousands of dollars per reporting period, which would swamp the relatively small profit margins that these small scale owner-financing and owner-servicers currently see in these projects. TLDA members expressed the same types of concern with the requirements to annually provide policies and procedures, to provide third party contact information, and to provide bank account and other financial information. The increased costs caused by additional regulations on small businesses who provide mortgages in the private market by brokering and servicing these mortgages would necessarily result in increased prices for the undeveloped residential lots developed for this specialized market. To the extent such costs are passed to consumers, many buyers would likely be pushed out of the market. Given the current state guardrails that assure TRID consumer protections remain in place and the private, self-funded, self-servicing nature of our developers' businesses, TLDA members question why this portion of the housing industry is a concern for CSBS. It should not be. To the extent it is not, TLDA requests that CSBS strongly consider tailoring any additional compliance and reporting requirements to the portion of the mortgage banking and mortgage servicing industry that deserves such oversight. TLDA developers and customers cannot handle the administrative and financial costs associated with unnecessary regulatory burdens in the private mortgage market, especially when consumer protection has not required any state or federal regulators' attention any time in Texas this century.

Thank you for the opportunity to comment on the CSBS regulatory proposal.

Sincerely,



Jason Ray

E-signature

From: [Tom Dulian](#)
To: [Comments](#)
Subject: [External] f=Feedback on the NMLS Mortgage Business-Specific Requirements Proposal (Proposal 2023-1).
Date: Monday, May 1, 2023 12:27:36 PM

Hi,

I read Proposal 2023-1 & have a comment:

Our company is a small mortgage originator/servicer that makes loans to real estate investors who primarily buy, fix up & resell houses. The loans we make are for business-purposes only – we don't make loans for family, personal or household use. We usually make less than 10 loans per year & use our own funds.

Proposal 2023-1 will be overly burdensome on small companies like ours. Having to produce audited financial statements & enhanced documentation requirements as set forth in the proposal will be overly burdensome & costly for small companies with limited revenue.

I would like to see an exemption to certain parts of Proposal 2023-1 as stated above for companies that originate & service business-purpose only loans and/or have limited annual revenues under \$1,000,000. Thank you.

Tom Dulian

President

The Berkley Group, Inc.

9206 Hillcrest Dr

Savage, MN 55378

Phone: 952-895-8970

Email: tdulian@theberkleygroup.com

NMLS #885001 & 894397

May 15, 2023

RE: Mortgage Business-Specific Requirements Proposal

Dear NMLS Policy Committee,

As a member of the Association of Independent Mortgage Experts (AIME), The Loan Store, Inc. is in agreement with AIME's letter regarding the execution of your proposed business-specific exemptions.

Our business model is fully centered around supporting our wholesale loan originator partners throughout the country. Our partners can be classified into two groups: independent mortgage brokers and non-delegated correspondent companies. Each group is comprised of organizations of varying sizes and operational footprints – some employ hundreds of people and are licensed to originate loans in multiple states, while some have as few as one or two full-time employees conducting the business.

We support the alternatives proposed in the letter from AIME, with the vision of creating more equitable requirements for mortgage companies across the board. Based on the current NMLS configuration, there are 18 states that do not offer broker-specific licenses. This puts mortgage brokerages in these 18 states at a disadvantage compared to their peers in the remaining states because they're not similarly able to mark themselves as exempt from providing audited materials.

Without the exempt status, which they are entitled to as brokers, they are forced to incur the expenses associated with having an accountant prepare their audited financials – which AIME estimated to be more than \$10,000 annually.

That financial burden, especially for smaller brokerages, not only risks putting existing companies out of business, but it also serves as an obstacle for other entrepreneurs in those 18 states who may be considering the launch of their own brokerage. Ultimately, those restrictions hurt consumers the most, as the strength of most affordably buying and owning a home comes from having maximum access to options.

To create an equitable financial and competitive landscape for mortgage professionals throughout the country, and to best support access to affordable homeownership for millions of Americans, we ask you to please consider and adopt AIME's suggested changes to your proposal.

Sincerely,

Brandon Stein

Brandon Stein
President
The Loan Store, Inc.
bstein@theloanstore.com

May 14, 2023

To: Conference of State Bank Supervisors
Re: Mortgage Business-Specific Requirements Proposal.

Thank you for the opportunity you have presented to the mortgage industry and impacted individuals to comment on the "Mortgage Business-Specific Requirements Proposal." In regard to this proposal, my comments will be limited to issues directly impacting to Mortgage Brokers.

Financial Statements for Brokering Activities: I wholeheartedly agree with exempting "brokering activities" from supplying audited financial statements

Individuals licensed as Mortgage Brokers or Mortgage Brokerage Companies are generally very small licensed entities. A small business is defined by S121.102; 'either in terms of the average number of employees over the past 12 months, or average annual receipts over the past three years.' Also, all federal agencies use SBA's size standards. At the minimum, SBA defines a small business as a company with &1,000,000 revenue, often closer to \$40,000,000 revenue.

How a company is organized is irrelevant. The company often consists of one or two individuals. **Requiring anything more than an "unaudited" financial statement will create a substantial financial burden on mom-and-pop shops.** Furthermore, submission of UNAUDITED Financial Statements should be on an annual basis, due within 90 days of the licensee's fiscal year end. Due to the rapidly changing economic environment of the USA, coupled with increasing home values and loan amounts, there should NOT be a gross revenue threshold triggering an audited financial statement. However, if CSBS opts to implement a threshold, the threshold should be tied to GAAP.

By definition, Mortgage Brokers do NOT make mortgage loan decisions (approve loans), create mortgage programs or products, or lend their own funds in any loan transaction, audited financial statements are irrelevant to the "safety and soundness" Dodd Frank seeks.

Concerning third party investigatory background checks, fingerprinting, and credit checks, broker applicants must pay for these services separately for each state where they apply for licensing. As a way of streamlining the process and reducing costs, I will suggest NMLS carry the information across the platform so the results of these investigatory checks with each state where an applicant applies for licensing.

If you have any questions, please contact me at 732-687-5656 Brian@tworivermortgage.com
Thank you,

Sincerely yours,

Brian F. Benjamin NMLS 5192
May 14, 2023
Two River Mortgage & Investment NMLS # 123962
157 Broad St
Red Bank, NJ 07701

From: UC Mortgage <ucmortgagellc@gmail.com>
Sent: Wednesday, May 10, 2023 6:22 PM
To: Comments
Cc: 3JMJACKLIU@gmail.com; marionhsu3jm@gmail.com; Wendy Cai
Subject: [External] UC Mortgage: Comments/Feedback on Mortgage Business-Specific Requirements Proposal

You don't often get email from ucmortgagellc@gmail.com. [Learn why this is important](#)

Comment 1: Re: Reportable Incidents: Reportable Incidents must be reported without unreasonable delay, but no later than five business days from a determination that an incident or situation has occurred.

We strongly support this proposal and we also would like to know if the state agency will take any actions to intervene after the incident has been reported (e.g. follow-up plans, etc.)

Comment 2: Re: Policies and Certifications

For smaller companies, we think state agency should provide a form of policy education to help us better understand and meet the document requirements.

Comment 3: Re: Location reporting -Legal: The applicant/licensee will provide the primary location for legal services that are provided to the company, regardless of whether they are provided in house or by a third party law firm.

We think company size should be the determining factor in deciding whether the business needs an in-house legal service or third-party legal service year round.

Submitter: Wendy Cai
UC Mortgage Broker NMLS ID#1729474
Contact: wendyc@ucmortgagellc.com

Thank you!



United Capital Investment LLC
UC Mortgage NMLS ID 2351494

O: (725) 666-9888

Email: ucmortgagellc@gmail.com

5265 S Durango, Las Vegas, NV 89113

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From: [Anthony Maddalon](#)
To: [Comments](#)
Subject: * [External] Comment on Mortgage Business Specific Requirements
Date: Monday, May 1, 2023 12:11:32 PM
Attachments: [image001.png](#)

The requirements for reporting will be too costly for smaller mortgage broker and lending companies. Audited financials cost several thousands of dollars and this will place a burden on small broker and mortgage lenders. I believe there should be threshold of loan origination volume. An example would be any lender funding over 200 million dollars must be required to complete audited financials. Also requiring smaller companies to include disaster recovery/business continuity, Gramm-Leach Bliley is an overkill especially for mortgage broker companies. Mortgage brokerages which do not originate loans in their name or service any loans should not be required to follow the same rules as funding institutions. These companies are only pass through and not the holder of the notes.

Anthony Maddalon
United Lending and Realty Partners
3825 Hopyard Rd #150
Pleasanton Ca 94588
Office: 925-271-2707
Cell: 925-699-6665
Fax: 888-546-4355
NMLS# 12420
BRE# 01840538

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From: [Bob Jones](#)
To: [Comments](#)
Subject: [External] Comment on Mortgage Business Specific Requirements
Date: Monday, May 1, 2023 6:41:15 PM

It appears, that there is systemic effort by regulators to regulate smaller companies out of business by continuously increasing the regulatory burden on us. A specific example of this would be requiring audited financials. We have had some of the largest bank failures in the history of our country occur in the last 3 months. There are literally 1000's of banking regulations, however the asleep at the wheel regulators failed so see what was coming with these very large banks. Even someone with very little education could understand that trying match long term mortgage revenue assets with short term deposit obligations is idiotic.

Instead of spending millions of dollars on new regulations and imposing disproportionately expensive regulations on smaller companies, wouldn't the financial community, tax payers, and consumers be better served investing this money in training the regulators?

It is well documented that small mortgage brokers serve the lower income and minority community at a much higher level than big companies. Big banks and big lenders loan officers usually just say "no". We actually care about our clients and try to help put them in a position to purchase a home even if we have to work with them for months or years. It has also been documented that consumers receive a lower interest rate and lower closing costs using mortgage brokers.

Adding additional regulations will have the unintended consequence of putting the exact companies out of business that are trying to narrow the housing gap in underserved communities.

Example:

Small mortgage broker has a net worth of \$50,000. Broker has to pay \$15,000 to have their financials audited. You are asking the broker pay to 30% of their net worth every year for audited financials. Small mortgage broker must increase cost to underserved borrower to stay alive.

Big bank has their financials audited. There is no additional cost of the audit because the big bank is already having it done. Big bank does lots of Jumbo loans to affluent borrowers. Big bank is already heavily regulated by the OCC, FDIC, and the Federal Reserve Board's incompetent, or complicit regulators. Big bank fails. SVB, Signature Bank, First Republic and more to come. Instead of more ineffective and expensive regulations on small companies, why don't you try to regulate the regulators to make sure they are doing their jobs and train them?

Small businesses are keeping this county afloat right now, while big corporate finance and banks are laying off 10% of their work force. Is this really the time to regulate small mortgage companies out of business?

Thanks,

Bob Jones

Owner

United Mortgage Funding LLC

O 303 220-0444

F 303 220-7771

C 303 868-7543

bob.jones@umf4loans.com

From: [Jeffery Dahl](#)
To: [Comments](#)
Subject: [External] NMLS Changes - Request For Comments
Date: Monday, May 1, 2023 1:18:16 PM

Good afternoon. If I understand the proposed change correctly, a new requirement will be for any broker in business for a minimum of two years, the broker will have to submit fully audited financial statements each year. If true, I believe this will add another expense for the small broker/owner who doesn't have any employees. It is hard enough to compete in the market now without having to add additional expenses. Please let me know if I misunderstood the proposed audit requirement.

Jeff Dahl, MBA
Vanguard Home Finance
331 W. Central Ave., Ste. 246
Winter Haven, FL 33880
tel: 863-875-5530
email: vanguardhomefinance@gmail.com

From: Dorothy Wooten <dwooten@kdslandcompany.com>
Sent: Thursday, May 4, 2023 12:12 PM
To: Comments
Subject: [External] Comment on Mortgage Business Specific Requirements

Business Activities included in the Mortgage Business-Specific Requirements

- The Mortgage Business-Specific Requirements proposes that all companies engaging in mortgage lending and servicing business activities (e.g., first mortgage brokering, first mortgage lending, and first mortgage servicing) with the exception of appraisal management services will be required to complete the Mortgage Business-Specific Requirements. See Appendix 2 for the full list. Do you agree that all companies engaging in mortgage lending and servicing business activities should be required to complete the Mortgage Business-Specific Requirements? **No. If a company is considered small business, the added work and financial responsibility that would be required in order to meet the requirements would put additional burdens on a smaller company (IE: additional personnel, classes, training, licensing, reporting functions, 3rd party contacts, etc).**

Contacts

- Do you agree that all contacts listed should be required for companies completing the Mortgage Business-Specific Requirements? **No, it would put additional burden on small mortgage companies (IE: Owner financed)**
- Are there other contacts that are relevant to mortgage activities and should be required? **No**
- Is it helpful to be able to list a third-party as a contact responsible for the contact types listed in the proposal? **No**
- When listing a third-party contact, a company will be deemed to have expressly authorized a state agency to contact the third-party without further approval from the company. Does this raise any concerns? **Yes, mainly due to the fact that a 3rd party will be replying to the agency and information could be misinterpreted or misrepresented, then put the company at possible liability situations.**

Periodic Reporting

- Do you have any suggested modifications to the proposed definitions for Reportable Incident, Catastrophic Event, and Cybersecurity Incident? **No**
- Do you have any additional comments on this proposed new reporting requirement? **Reportable incidents should only be reportable if they occur; there is no sense in having to report “nothing” on a scheduled basis.**

Documents

- Are there any other documents commonly required for companies engaging in mortgage lending and servicing business activities not included in the Mortgage Business-Specific Requirements? **No**
- Financial Statements
 - o The proposal envisions that start-up companies will be able to submit something less than audited financials (i.e., compiled, reviewed or unaudited). Do you agree with the definition of a start-up company included here? **Yes**
 - o Do you agree there should be an exception to the audited financial statement requirement for start-up companies? **Yes**
 - If so, what type of financials should start-up companies submit (i.e., compiled, reviewed or unaudited)? **Reviewed**
 - o The proposal states a company obtaining a license that only permits brokering activities and that is not a start-up may provide something less than audited financials. Do you agree with this exception? **Yes**
 - If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)? **Reviewed**

o The proposal states a company solely engaged in third-party mortgage loan processing or underwriting and that is not a start[1]up, may provide something less than audited financials. Do you agree with this exception?

Yes

- If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)?

Reviewed

Document Requirements

o Are there any policies not listed in the Document Requirements section that should be included? No

o Are you in favor of the proposed policy certification process? Yes, pertaining to the items listed above

- Document Samples

o Are there any document samples not listed in the Document Requirements section that should be included?

No

Location Reporting

• Are there any locations not in the location list that should be added for the mortgage industry? No

• Are the location definitions sufficient? Yes, more than.

o If not, please include suggested edits.

• Is the required information for Company Operated Work Locations adequate? Yes, more than.

Key Individual Requirements

• Do you support the minimum requirements proposed for the third-party investigatory background checks to be provided when a key individual⁴ has resided outside the United States at any time in the last 10 years? Yes

Dorothy Wooten

General Manager/Mortgage Servicer

Ven-Ken, Inc

dba KD's Land Company

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May 15, 2023

Conference of State Bank Supervisors
State Regulatory Registry, LLC
1129 20th Street, NW, 9th Floor
Washington, DC 20036

Re: Request for Comments - Mortgage Business-Specific Requirements

To Whom it May Concern:

V.I.P. Mortgage, Inc. (“VIP”) appreciates the opportunity to provide comments on the proposed Mortgage Business-Specific Requirements. Also, we would like to extend our appreciation to state regulators. We understand that it is not an easy task to get so many agencies to come to an agreement on such a major issue, and we truly appreciate the effort that state regulators are putting forth on this matter. VIP respectfully submits our comments below.

Business Activities Included in the Mortgage Business-Specific Requirements

Question: Do you agree that all companies engaging in mortgage lending and servicing business activities should be required to complete the Mortgage Business-Specific Requirements?

Response: Yes. VIP agrees that all possible business activities that may be conducted by mortgage businesses should be included in the Mortgage Business-Specific Requirements. Including all of the activities will streamline the licensing process and make it easier for mortgage companies to submit applications regardless of the activities they conduct.

Contacts

Question: Do you agree that all contacts listed should be required for companies completing the Mortgage Business-Specific Requirements?

Response: Yes. VIP agrees that all of the contacts indicated in the proposal should be required for all companies completing the Mortgage Business-Specific Requirements.

Question: Are there other contacts that are relevant to mortgage activities and should be required?



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VIP NMLS 145502



Response: No.

Question: Is it helpful to be able to list a third-party as a contact responsible for the contact types listed in the proposal?

Response: Yes. VIP often uses third parties, such as legal counsel, for licensing issues. Having the ability to provide this information in the NMLS should we wish to do so allows regulators to speak directly to that third party about issues that the third party may be handling for VIP and thus would be better able to answer any questions related to that issue.

Question: When listing a third-party contact, a company will be deemed to have expressly authorized a state agency to contact the third-party without further approval from the company. Does this raise any concerns?

Response: VIP does not have a concern with this issue. If VIP did not want a third party to have such authority without further approval, VIP would simply not list a third party as a contact.

Periodic Reporting Requirements

Question: Do you have any suggested modifications to the proposed definitions for Reportable Incident, Catastrophic Event, and Cybersecurity Incident?

Response: No.

Question: Do you have any additional comments on this proposed new reporting requirement?

Response: VIP considers these issues extremely important and understands the need to notify regulators of these types of issues. VIP also recognizes that most states already require such notifications. VIP believes that being able to report these incidents in the NMLS to reach all states will be beneficial to industry by enabling industry to submit such notifications to all states in one submission rather than having to send a separate report to each state.

Data Requirements

While there are no specific questions regarding data requirements, VIP does not have any issues with all mortgage companies having to provide information in the Approvals and Designations or Bank Account sections of the NMLS Company Form.





Document Requirements

Question: Are there any other documents commonly required for companies engaging in mortgage lending and servicing business activities not included in the Mortgage Business-Specific Requirements?

Response: No.

- **Financial Statements**

Question: The proposal envisions that start-up companies will be able to submit something less than audited financials (i.e., compiled, reviewed or unaudited). Do you agree with the definition of a startup company included in the proposal?

Response: No. VIP does not agree with the definition of a startup as included in the proposal. VIP does not believe that there should be a gross revenue amount tied to the definition of a startup company.

Depending on when a company is formed, a startup company may not have an audited financial statement for 6 months to a year or more. Although it could happen, it is highly unlikely that a new company would submit license applications for every jurisdiction in which it would like to conduct business. Companies generally may submit applications based on geographic location, for example, and expand over time based on business factors. So, a company may only want to get licensed in one state or a few states to start the business going. After obtaining that initial license, even if the company were able to obtain gross revenue of at least \$500,000, the company still may not be able to obtain audited financial statements within a time period prior to wanting to obtain additional licenses. If the company then wants to obtain licensure in a state that does require audited financial statements, they would no longer be considered a startup based on the proposed definition due to the fact that they may have grossed at least \$500,000 of revenue. If it is at the end of the company's fiscal year, the company may only need to wait a few months to get an audited financial statement. However, a company that obtains its initial license early on in a fiscal year would need to wait 12-15 months in order for an audited financial statement to be completed. This definition prohibits startup companies from being able to obtain licensure in states that require audited financial statements and is contrary to competition.

VIP believes that the definition should be revised to state that a company is considered a startup if the company has held at least one license for no more than 18 months and is not publicly traded. Only once a company is allowed to conduct business for at least a year, and then have the ability to obtain audited financial statements, would that company no longer be considered a startup.



V.I.P. Mortgage, Inc.

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VIP NMLS 145502



Question: Do you agree there should be an exception to the audited financial statement requirement for start-up companies?

Response: Yes. To not allow an exception for the submission of audited financial statements for startup companies prohibits competition.

Question: If so, what type of financials should start-up companies submit (i.e., compiled, reviewed or unaudited)?

Response: Startups should be able to submit an unaudited financial statement. However, VIP would not object to the requirement that unaudited financial statements be prepared by an accountant.

Question: The proposal states that a company obtaining a license that only permits brokering activities and that is not a start-up may provide something less than audited financials. Do you agree with this exception? If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)?

Response: As VIP conducts lending, brokering, and servicing activities, VIP does not have any comments on this issue. VIP would need to provide audited financials for the lending and servicing activities, so not having to provide them for one license type does not change the overall licensing requirements for VIP.

Question: The proposal states a company solely engaged in third-party mortgage loan processing or underwriting and that is not a startup, may provide something less than audited financials. Do you agree with this exception?

Response: VIP does not have an opinion on this matter.

Question: If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)?

Response: VIP does not have an opinion on this matter.

- **Document Requirements**

Question: Are there any policies not listed in the Document Requirements section that should be included?

Response: No. VIP believes all of the policies included are important but does not feel the need to include any additional policies.





Question: Are you in favor of the proposed policy certification process?

Response: Yes. VIP believes that the certification process will allow companies to ensure that all regulator's requirements are met prior to the submission of the application. And, although not listed as part of these proposals, VIP would like to encourage regulators to develop a similar certification process for business plans. Information required for business plans can vary widely from state to state. Regulators can provide a list of information that all mortgage companies need to provide in the business plan (such as activities to be conducted, target markets, etc.) and companies would have to certify that each of the categories is complete.

VIP also notes, however, that it has concerns with the following added comment in the proposal: "It will be explicitly stated on each policy certification form that approval or granting of a license does not mean that the policy contents have been approved." Based on responses by the CSBS at the Town Hall on April 18, 2023 regarding questions about the certification process, it seems that an initial regulator (as proposed by the Networked Supervision Licensing Model) will review the certification but will not necessarily review the policies if that state does not generally review such policies. This seems contrary to the purpose of having these policies as "mortgage business-specific requirements". It is VIP's understanding, under the Networked Supervision Licensing Model, that one initial regulator is appointed to review the core requirements and the business-specific requirements. This should include the review of ALL of the business-specific requirements, including the review of policies and procedures that are required for the business type. Since state regulators are coming to an agreement about what information is required to be in the policies/procedures proposed to be uploaded, VIP would like to see regulators also agree that if one regulator issues a license with the submitted documents, other states will consider those documents as acceptable and reviewed. It does not make sense to have a certification process and an initial review of the industry-specific requirements by one state regulator for ensuring that policies are complete and then to have other state regulators then have to review those policies, if required by their state, and then possibly require changes to information that was previously submitted and accepted as complete.

- **Document Samples**

Question: Are there any document samples not listed in the Document Requirements section that should be included?

Response: No. VIP believes that there are no additional required document samples others than those requested in the proposal. In addition, VIP is of the understanding that the "Operating





Agreement” will not be required for mortgage businesses as this document was specific to money-services business.

Required Functionality

VIP is encouraged to see that electronic surety bonds are a required functionality in the proposal for all mortgage companies and hopes that the few state regulators that still use paper bonds will move forward to make those changes in the near future.

Location Reporting

Question: Are there any locations not in the location list that should be added for the mortgage industry?

Response: No.

Question: Are the location definitions sufficient? If not, please include suggested edits.

Response: While VIP believes the location definitions are sufficient, VIP is concerned about providing location information in the NMLS for accounting and legal services. Companies will already be required to provide contact information for these specific areas. VIP believes providing this additional information may send a message to regulators that regulators have the option to reach out directly to those third parties without VIP having provided express consent to discuss a particular matter. The contact information that is required to be provided, which includes location information for the individual contact, should be sufficient should regulators have any questions or concerns about accounting or legal services.

VIP does not have an issue with providing additional information on its cloud services in relation to books and record information.

Company Operated Work Locations’ Information

Question: Is the required information for Company Operated Work Locations adequate?

Response: Yes. VIP does not have any issues providing this information. However, VIP would like clarification as to whether state regulators will have specific requirements for the branch manager, as many state regulators currently have.





Key Individual Requirements

Question: Do you support the minimum requirements proposed for the third-party investigatory background checks to be provided when a key individual has resided outside the United States at any time in the last 10 years?

Response: Yes. VIP does not oppose this requirement. VIP also does not oppose having key individuals be required to complete credit reports and criminal background checks. However, VIP would ask that all regulators change their internal processes for criminal background checks to be completed through the NMLS and to accept criminal background checks submitted through the NMLS as the sole requirement. Having to go to multiple locations for fingerprinting is burdensome for key individuals (and for mortgage loan originators for those states that also have separate state-specific fingerprint requirements outside of the NMLS).

VIP again thanks the CSBS for the opportunity to provide feedback on these proposals. Should you have any questions, please do not hesitate to contact our Senior Licensing Specialist, Nancy Pickover, at nancyp@vipmtginc.com or at (480) 863-2377.

Respectfully submitted,

Joan Tadrick
Senior Vice President and Chief Compliance Officer





May 15, 2023

Conference of State Bank Supervisors
State Regulatory Registry, LLC
1129 20th Street, NW, 9th Floor
Washington, DC 20036
Email: comments@csbs.org

Re: Request for Comments - Mortgage Business-Specific Requirements

To Whom it May Concern:

Zenith Home Loans, LLC (“Zenith”) thanks the Conference of State Bank Supervisors for the opportunity to respond to this proposal and provides the comments below.

Business Activities Included in the Mortgage Business-Specific Requirements

Question: Do you agree that all companies engaging in mortgage lending and servicing business activities should be required to complete the Mortgage Business-Specific Requirements?

Response: Yes.

Contacts

Question: Do you agree that all contacts listed should be required for companies completing the Mortgage Business-Specific Requirements?

Response: Yes.

Question: Are there other contacts that are relevant to mortgage activities and should be required?

Response: No.

Question: Is it helpful to be able to list a third-party as a contact responsible for the contact types listed in the proposal?

Response: Yes. Zenith would like the ability to provide information for third-party contacts as it will allow regulators to speak directly to that third-party.

Zenith Home Loans, LLC

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(888) 506-0255 Main Office
NMLS 1818094





Question: When listing a third-party contact, a company will be deemed to have expressly authorized a state agency to contact the third-party without further approval from the company. Does this raise any concerns?

Response: No.

Periodic Reporting Requirements

Question: Do you have any suggested modifications to the proposed definitions for Reportable Incident, Catastrophic Event, and Cybersecurity Incident?

Response: No.

Question: Do you have any additional comments on this proposed new reporting requirement?

Response: Zenith understands the importance of advising regulators of these types of issues. Being able to submit these notifications through the NMLS instead of having to submit multiple reports to different agencies will allow Zenith to submit the information in a more efficient and timely manner.

Data Requirements

While there are no specific questions regarding data requirements, Zenith does not have any issues with mortgage companies having to provide information regarding Approvals and Designations or Bank Accounts.

Document Requirements

Question: Are there any other documents commonly required for companies engaging in mortgage lending and servicing business activities not included in the Mortgage Business-Specific Requirements?

Response: No.

- **Financial Statements**

Question: The proposal envisions that start-up companies will be able to submit something less than audited financials (i.e., compiled, reviewed or unaudited). Do you agree with the definition of a startup company included in the proposal?

Response: No. Zenith does not believe that there should not be a gross revenue amount tied to the definition of a startup company.





A typical company generally would not obtain an audited financial statement until after the end of its fiscal year, even if they are a startup and are able to start bringing in revenue prior to the end of the fiscal year. The fiscal year end can be three months after the company begins operations over a year after business begins. Based on this definition, a company that chooses to get licensed in one state or a few states to start the business going, and is able to earn at least \$500,000 in revenue before it is ready to submit additional applications, would no longer be considered a startup. Therefore, that company would either be required to obtain an audited financial statement at a time other than the fiscal year-end, or wait to get additional licenses in those states that will only allow an audited financial statement. The proposed definition prohibits startup companies from being able to obtain licensure in states that require audited financial statements and is contrary to competition.

Zenith suggests the definition of a startup company be as follows: a) the company has held at least one license for not more than 18 months, and b) the company is not publicly traded.

Question: Do you agree there should be an exception to the audited financial statement requirement for start-up companies?

Response: Yes. By not allowing an exception for the submission of audited financial statements for startup companies state regulators are prohibiting competition.

Question: If so, what type of financials should start-up companies submit (i.e., compiled, reviewed or unaudited)?

Response: Startups should be able to submit an unaudited financial statement.

Question: The proposal states that a company obtaining a license that only permits brokering activities and that is not a start-up may provide something less than audited financials. Do you agree with this exception? If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)?

Response: Zenith does not have any comments on this issue.

Question: The proposal states a company solely engaged in third-party mortgage loan processing or underwriting and that is not a startup, may provide something less than audited financials. Do you agree with this exception?

Response: Zenith does not have an opinion on this matter.

Question: If so, what type of financials should these companies submit (i.e., compiled, reviewed or unaudited)?

Response: Zenith does not have an opinion on this matter.





- **Document Requirements**

Question: Are there any policies not listed in the Document Requirements section that should be included?

Response: No.

Question: Are you in favor of the proposed policy certification process?

Response: Yes. The certification process will allow companies to ensure that all regulator's policy requirements are met prior to the submission of the application. To take this process a step further, Zenith would like to see a similar procedure for business plans. The information required for business plans can vary widely from state to state. Currently, companies have to revise its business plans often depending on the licenses being sought and must add addenda for state-specific requirements. Providing a similar certification process for business plans whereby companies would have to provide information for all regulators, such as activities to be conducted, target markets, etc., would be easier for companies and regulators alike to manage.

Zenith would also like to comment on the following added statement in the proposal: "It will be explicitly stated on each policy certification form that approval or granting of a license does not mean that the policy contents have been approved." Based on information provided by the CSBS at the Town Hall on April 18, 2023, it appears that the initial state regulator responsible for the review of the core requirements and business-specific requirements may not necessarily actually be reviewing the policies if that state does not require such review. This is contrary to the purpose of the Networked Supervision Licensing Model. The initial regulator should be reviewing all of the information in the core requirements and business-specific requirements. That is the purpose of Networked Supervision. Otherwise, the required policies and procedures are not business-specific at all, but are state-specific to those states that will actually review those documents. If state regulators are working to streamline the requirements about the information required to be in the policies proposed to be uploaded, Zenith would ask that regulators also agree that the policies need to be approved as part of the initial review process with the core requirements and business-specific requirements and that, once approved, they are deemed approved by all regulators.

- **Document Samples**

Question: Are there any document samples not listed in the Document Requirements section that should be included?

Response: No. Zenith also now believes that mortgage businesses will not be required to submit an "Operating Agreement" based on clarification from the CSBS.

Zenith Home Loans, LLC

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Required Functionality

Zenith is pleased to see that electronic surety bonds are a required functionality in the proposal and looks forward to being able to use only electronic surety bonds for its future applications.

Location Reporting

Question: Are there any locations not in the location list that should be added for the mortgage industry?

Response: No.

Question: Are the location definitions sufficient? If not, please include suggested edits.

Response: Zenith believes the location definitions are sufficient; however, Zenith believes that this is a duplicative request. The proposal requires companies to provide contact information for accounting and legal services in the “Contacts” section of the NMLS. The information provided in the contact information section includes the location for that contact. Zenith believes that this information is sufficient if a regulator has any questions or concerns about accounting or legal services, and that additional location information is not necessary.

Zenith does not have an issue with providing additional information on its cloud services in relation to books and record information.

Company Operated Work Locations’ Information

Question: Is the required information for Company Operated Work Locations adequate?

Response: Yes. However, Zenith would appreciate additional information regarding specific requirements for branch managers, as many state regulators currently have varying requirements. For example, are regulators agreeing as to what those requirements will be or will companies still have to possibly have multiple branch managers to fulfill state-specific requirements, such as mortgage loan originator status or experience requirements?

Key Individual Requirements

Question: Do you support the minimum requirements proposed for the third-party investigatory background checks to be provided when a key individual has resided outside the United States at any time in the last 10 years?

Response: Yes.





Zenith also does not oppose the requirement for key individuals being required to complete credit reports and FBI criminal background checks for all states. Zenith is aware, however, that there are still several states that require fingerprints to be submitted outside of the NMLS. Zenith encourages these regulators to allow for FBI criminal background checks to be completed through the NMLS and also requests that states that have state-specific background checks look into the steps required to remove such requirements. It is burdensome for key individuals and mortgage loan originators to have to go to multiple locations for fingerprinting.

Zenith would like to express its appreciation to the CSBS for the opportunity to provide comments to this proposal. Zenith also extends its appreciation to state regulators. Zenith can only imagine how much work it takes to get so many agencies to come to an agreement on such a major issue, and we deeply appreciate the effort being put forth to develop a stream-lined licensing system. Should you have any questions, please do not hesitate to contact our Senior Licensing Specialist, Nancy Pickover, at nancyp@vipmtginc.com or at (480) 863-2377.

Respectfully submitted,



Dave Gallegos
President

