

Individual Disclosure Questions

Overview/Policy

All disclosure questions must be answered with a "Yes" or "No" Response. Any "Yes" response will require an explanation to be provided in the **Disclosure Explanations** section.

Foreclosure

Any foreclosure action that has at least been initiated, whether or not the action is considered final, must be disclosed to your state regulators through NMLS.

Regulatory and Civil Judicial Individuals must respond affirmatively to certain disclosure questions if they relate to activities that occurred while that individual exercised control over the organization. Individuals exercising control over companies who in the normal course of business face multiple regulatory or civil actions must respond affirmatively to the appropriate questions. An explanation stating this fact is required and further details related to specific actions may be required, including supporting documentation. Please consult state licensing requirements to verify what information is required to be submitted through NMLS.

Difference between K4 and K9

K(4) is asking if an order was issued against the individual that involved a financial service related activity, regardless of whether a license or registration was held or required.

K(9) is asking if an order was entered specifically regarding a license or registration or the requirement to be licensed or registered.

"Order" is a written directive issued pursuant to statutory authority and procedures, including orders of denial, suspension, or revocation; does not include special stipulations, undertakings or agreements relating to payments, limitations on activity or other restrictions unless they are included in an order. Orders include temporary and permanent Cease and Desist Orders.

Not all denials of a license are the result of an order. This may vary state to state.

Definitions and Charts

Disclosure Definitions

Term	Definition
Affiliate	An organization that is under common control with the applicant
Applicant	The entity applying or amending information on this form. The only instance in which the applicant is an individual is in the case of a sole proprietorship or applying for licensure view the Individual Licensing Form (MU4).

Term	Definition
Charged	Being accused of a crime in a formal complaint, information, or indictment (or equivalent formal charge).
Control	The power, directly or indirectly, to direct the management or policies of a company, whether through ownership of securities, by contract, or otherwise. Any person that (i) is a general partner or executive officer, including Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Legal Officer, Chief Credit Officer, Chief Compliance Officer, director, and individuals occupying similar positions or performing similar functions; (ii) directly or indirectly has the right to vote 10% or more of a class of a voting security or has the power to sell or direct the sale of 10% or more of a class of voting securities; (iii) in the case of an LLC, Managing Member; or (iv) in the case of a partnership, has the right to receive upon dissolution, or has contributed, 10% or more of the capital, is presumed to control that company.
Control Affiliate	A partnership, corporation, trust, LLC, or other organization that directly or indirectly controls, or is controlled by, the applicant. This includes companies that are "up or down the ownership ladder." In effect, this requires applicants to only disclose for relationships that go up (parent and grandparent) or those that go down (subsidiary) but not for those relationships that go sideways (brother and sister). An applicant or licensee must disclose for companies that "go up" the ownership "ladder" until reaching the last individual owner, a publicly-traded entity, or a bank or bank holding company regulated by a Federal banking regulator, such as the Federal Reserve, the Office of the Comptroller of the Currency (OCC), the Consumer Financial Protection Bureau (CFPB) the Federal Deposit Insurance Company (FDIC), or the National Credit Union Association (NCUA). No barrier going down the "ladder."
Control Person	An individual (natural person) named that directly or indirectly exercises control over the applicant. (see definition of control)

Term	Definition
Enjoined	Includes being subject to a mandatory injunction, prohibitory injunction, preliminary injunction, or a temporary restraining order.
Entity	A company, branch, or an individual with a record in the system.
Felony	For states that do not differentiate between a felony and a misdemeanor, a felony is an offense punishable by a sentence of at least one year imprisonment and/or a fine of at least \$1,000. The term also includes a general court martial. If your state already differentiates, use your state's definition and label. An individual on probation would still be required to disclose. Consult state licensing requirements to determine whether or not an individual on probation for a felony is eligible for licensure in your state.
Foreign Financial Regulatory Authority	Includes (1) a financial services authority of a foreign country; (2) other governmental body empowered by a foreign government to administer or enforce its laws relating to the regulation of financial services or financial services-related activities; and (3) a foreign membership organization, a function of which is to regulate the participation of its members in financial services activities listed above.

Term	Definition
Found	<p>Includes:</p> <ul style="list-style-type: none"> • adverse final actions • consent decrees/orders in which the respondent has neither admitted nor denied the findings <p>Does not include:</p> <ul style="list-style-type: none"> • agreements • late fees • deficiency letters • examination reports • memoranda of understanding • letters of caution • admonishments, or • similar informal resolutions of matters <p>“Settlement” often falls under the “included” category like consent decrees and final actions. However, in jurisdictions that use “settlement” to be synonymous with “agreement” such settlements would fall under the “not included” batch with other agreements. One possibility that may be relevant in determining where a “settlement” fits in your jurisdiction is to the determination of whether it is a public record or not. In this analysis, if it is a public record then it should be included and if it is not a public record, it should not be included.</p>
Involved	<p>Doing an act or omission or aiding, abetting, counseling, commanding, inducing, conspiring with, or failing to reasonably supervise another in doing an act or omission.</p>
Jurisdiction	<p>A state, the District of Columbia, the Commonwealth of Puerto Rico, or any subdivision or regulatory body thereof.</p>

Term	Definition
Misdemeanor	<p>For states that do not differentiate between a felony and a misdemeanor, a misdemeanor is an offense punishable by a sentence of less than one year imprisonment and/or a fine of less than \$1,000. The term also includes a special court martial. If your state already differentiates, use your state's definition and label. (Also see "felony.") Company Form (MU1) Disclosure question (B)(1) is limited to "a misdemeanor involving: <u>financial services</u> or a <u>financial services-related business</u> or any fraud, false statements or omissions, theft or any wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses" For purposes of disclosure questions in NMLS omit irrelevant misdemeanors, including, but not limited to, traffic violations, non-fraud related violations, etc.</p>
Order	<p>A written directive issued pursuant to statutory authority and procedures, including orders of denial, suspension, or revocation; does not include special stipulations, undertakings or agreements relating to payments, limitations on activity, or other restrictions unless they are included in an order. Orders include temporary and permanent Cease and Desist Orders. Orders that must be disclosed are limited in Disclosure Question (C)(4) to orders directed to applicant or control affiliate. See definitions of control affiliate to understand the extent of required disclosures in this regard.</p>
Person	<p>An individual, partnership, corporation, trust, LLC or other organization.</p>
Proceeding	<p>Includes a formal administrative or civil action initiated by a governmental agency, self-regulatory organization, or a foreign financial regulatory authority; a felony criminal indictment or information (or equivalent formal charge); or a misdemeanor criminal information (or equivalent formal charge). The term does not include other civil litigation, investigations, or arrests or similar charges affected in the absence of a formal criminal indictment or information (or equivalent formal charge).</p>

Term	Definition
Self-Regulatory Organization (SRO)	Non-governmental organization that has the authority or power to create and enforce industry regulations and standards.

How To

Complete Disclosure Questions:

1. From the Disclosure Questions screen, select the **radio button** that represents the appropriate answer for each question. All Disclosure Questions must be answered.
2. Click **Save**.

Helpful Hints

1. Any 'Yes' responses to disclosure questions require an explanation to be provided in the Disclosure Explanations section.
2. Any changes to the Individual Form (MU2) including Disclosure Questions should be updated promptly.
3. Updates from yes to no and vice versa require updates to the Disclosure Explanations section.

Additional Resources:

- Find State-Specific requirements on the [NMLS Resource Center](#).
- Details regarding information available on NMLS Consumer Access can be found within [Information Viewable on NMLS Consumer Access](#).
- Quick Guide:
 - [Amendments](#)
 - [Disclosure Explanations Reference Guide](#)

See Company and Branch Help [Table of Contents](#)