

AARMR Annual Regulatory Conference

August 20, 2008

CSBS/AARMR

Nationwide Mortgage Licensing System & Registry (NMLSR)



Nationwide Mortgage Licensing System

Topics of Discussion

- Introduction and Overview
- Nationwide Mortgage Licensing System
- SAFE Mortgage Licensing Act of 2008
- Model Legislation
- Implementation of the Act
- Cooperative Agreements and Protocols

State Regulator Framework

- Nontraditional Mortgage Guidance
- Subprime Statement
- MEGS (uniform examinations)
- MINUTES (uniform education and testing)
- Cooperative Agreement
- Nationwide Mortgage Licensing System
- NMLSR

Historic Opportunity for State Supervision

NMLSR

- **Uniform data** (Consistent, detailed information)
 - Single record (MU Forms)
 - Call report
- **Communication among regulators**
 - Enforcement actions
 - License status
- **More efficient use of resources**

Historic Opportunity for State Supervision

More importantly, this is a historic opportunity to create a **system of state regulation** with uniform standards, definitions and processes

- Reduce regulatory burden on multi-state companies
- Increase communication, coordination and cooperation among the states
- Keep bad actors out of the state system

Who is Involved – Overview

- Conference of State Bank Supervisors (CSBS)
- American Asso. of Res. Mortgage Regulators
- State Regulatory Registry LLC (CSBS subsidiary)
- Financial Industry Regulatory Authority (formerly NASD)
- State regulatory taskforce & working groups
- Industry advisory groups (MAC)

Who is Involved – SRR

- State Regulatory Registry LLC

9 Members of the Board of Managers

- Gavin Gee (ID), Chairman
- Steve Antonakes (MA), Treasurer
- David Bleicken (PA), AARMR
- Tom Gronstal (IA)
- John Allison (MS)
- Joseph Smith (NC)
- Timothy Karsky, CSBS Chairman (non-voting)
- Neil Milner, Secretary (non-voting)
- Bill Matthews, SRR CEO (non-voting)

NMLS Description

- Nationwide state licensing system
- Similar to other industries
 - Securities
 - Investment advisors
- Custom for mortgage industry
- Voluntary state participation

Where we are today – States

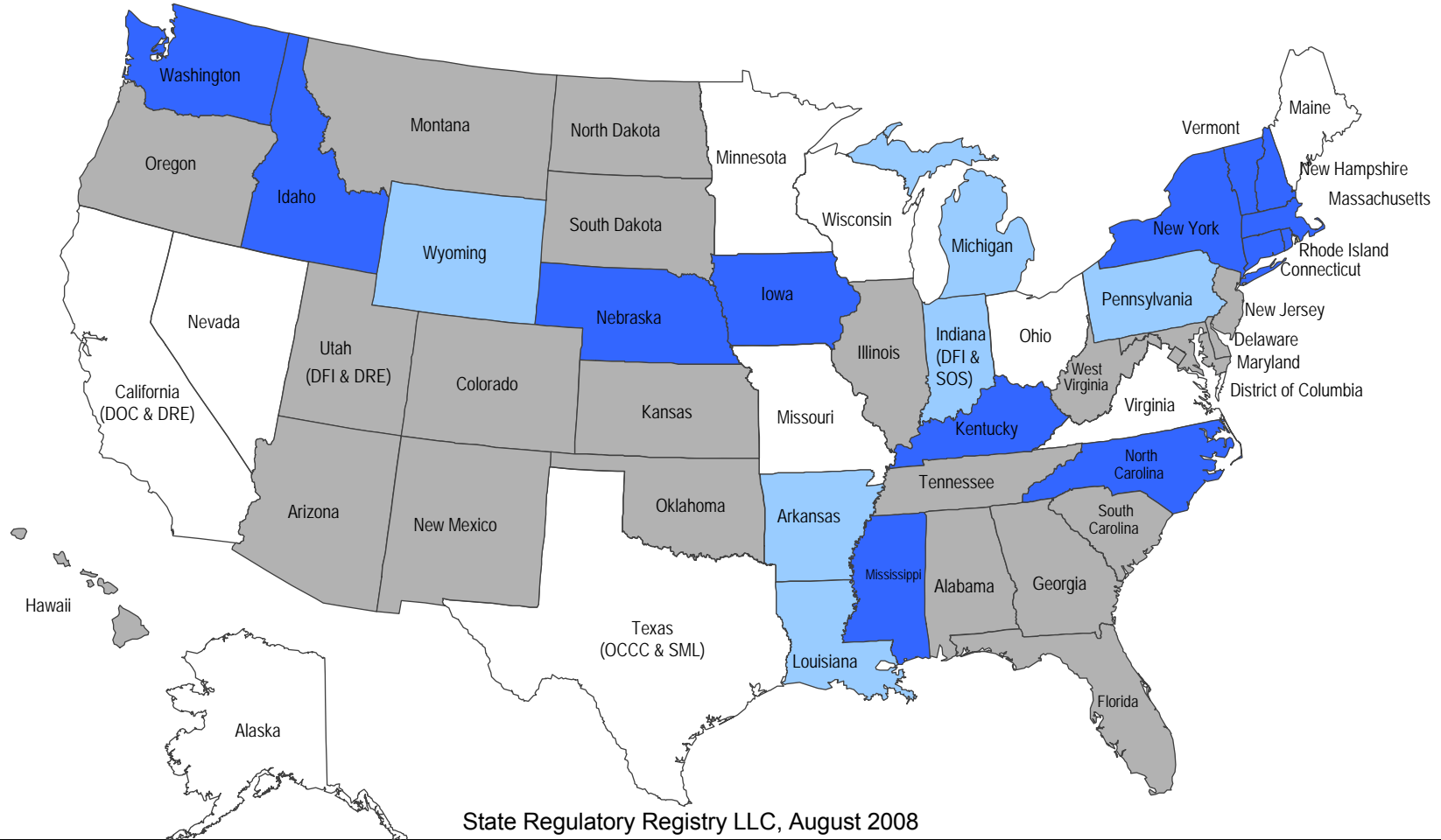
- NMLS launched
 - On January 2, 2008
 - On time and on budget
 - 7 states participated at launch
- 14 states currently using NMLS
- 20 agencies scheduled in 2008
- 44 agencies in 42 states on Statement of Intent

CSBS/AARMR Nationwide Mortgage Licensing System

States currently using NMLS

States to join NMLS in 2008

States to join NMLS in 2009+



 Puerto Rico

Nationwide Mortgage Licensing System

One Federal System?

Selecting a strong regulator to monitor this new level playing field is critical for protecting consumers and restoring market confidence. I won't pretend to be a disinterested party, but I know that the OTS has the most extensive expertise of any regulatory agency in the oversight and supervision of mortgage banking operations and I believe the OTS is in the best position to assume federal authority to regulate the currently unregulated players in mortgage banking.

OTS Director John Reich JULY 21, 2008

A Unified State System

- Congress has given states an historic opportunity to preserve state authority
- We are faced with a choice...
 - Create a unified system of state regulation with communication, coordination and cooperation between all states
 - Allow the Federal Government to eventually take over supervision of all financial institutions

SAFE Mortgage Licensing Act of 2008

Title V Public Law 110-289

Nationwide Mortgage Licensing System

SAFE Mortgage Licensing Act of 2008

Title V – Public Law 110-289

Signed by President Bush on July 30, 2008

- Mandates Licensure or Registration of *All* Loan Originators
- Sets Minimum Standards for State Licensure of Loan Originators
- Requires NMLSR to approve all Education and Testing of State Licensed Loan Originators
- HUD Backup Authority if a states fails to meet minimum standards

SAFE Mortgage Licensing Act of 2008

Title V – Public Law 110-289

- Establishes coordinated systems for all LOs
 - State brokers and lenders – licensed
 - Depositories (banks, thrifts, CU) – registered
- Background checks for all loan originators
- Consumer access to employment history and enforcement actions of LOs

SAFE Mortgage Licensing Act of 2008

Title V – Public Law 110-289

- Minimum state license standards
 - No felony (last 7 years—certain ones NEVER)
 - No license revocations
 - Financial responsibility
 - Pre-license testing and education
 - Continuing education
 - Annual license renewals
 - Bond, net worth or recovery fund

SAFE Mortgage Licensing Act of 2008

Title V – Public Law 110-289

- Each state would have to:
 - Pass legislation to meet Title V minimum standards, and;
 - Join NMLSR within 1 year (or 2 years for biennial legislative sessions)
- OR ---
- HUD would take responsibility to meet Title V requirements

SAFE State Legislative Language Working Group

- Chaired by Commissioner Antonakes (MA)
- Comprised of 10 state representatives
- Developed draft model legislation
- Will review industry feedback

State Model Legislation

- Model implementing legislation
 - Must Do, Should Do and Nice to Have
 - Unique opportunity for uniformity
- Have and will continue to seek input from
 - Industry
 - HUD

State Model Legislation

- Vast majority of Model Legislation
 - Lifted from the SAFE Act
 - Modified to fit model state statutory language
- Some interpretations necessary to make statutory language work in real world
- Definitions taken from SAFE are critical for HUD approval of state law

State Model Legislation

- Application for a License
- Renewal
- Background checks (including fingerprinting)
- Pre-licensure education and testing
- Continuing education requirements

ALL COME FROM SAFE and are necessary to meet the minimum Federal requirements to retain state authority.

Implementation

Taskforce of CSBS and AARMR members to:

- Identify mandates requiring an implementation plan
- Receive input from states and industry
- Develop implementation plan
- Seek HUD approval of implementation plan

Guiding Principles

- Do not disrupt mortgage originations
- Build on states' loan originator licensing experience (testing/education/background checks)
- Strengthen and modernize state regulation
- NMLSR takes sole responsibility for its mandates under Title V

Industry Mandates

- All residential mortgage loan originators must be either
 - State-licensed
 - HUD licensed
 - Federally registered
- All mortgage loan originators must be in NMLSR maintained by CSBS and AARMR

State Mandates

- All states must implement residential mortgage loan originator licensing meeting:
 - National definitions
 - Minimum standards
- All states must license mortgage loan originators through NMLSR

HUD Mandates

- HUD must determine:
 - That the state's MLO licensing standards meet the federally mandated minimums
 - That state is participating in NMLSR
- HUD must implement a system for all state licensed mortgage loan originators in states not meeting both requirements.

Federal Banking Agencies/FFIEC

- Must develop and maintain a system for registering mortgage loan originators
- Must coordinate with NMLSR in assigning unique identifier.

CSBS/AARMR Mandates

- Must develop and maintain the NMLSR for the purposes identified in the Section 1502 of P.L. 110-289.

NMLSR Mandates

- Must establish protocols for issuance of unique IDs
- Must receive and process fingerprints for criminal background checks for all loan originators
- Must review and approve pre-licensure and continuing education courses
- Must develop a qualified written test and approve test providers
- Must develop a mortgage call report
- Consumer access

CSBS and AARMR

NATIONWIDE COOPERATIVE AGREEMENT FOR MORTGAGE SUPERVISION

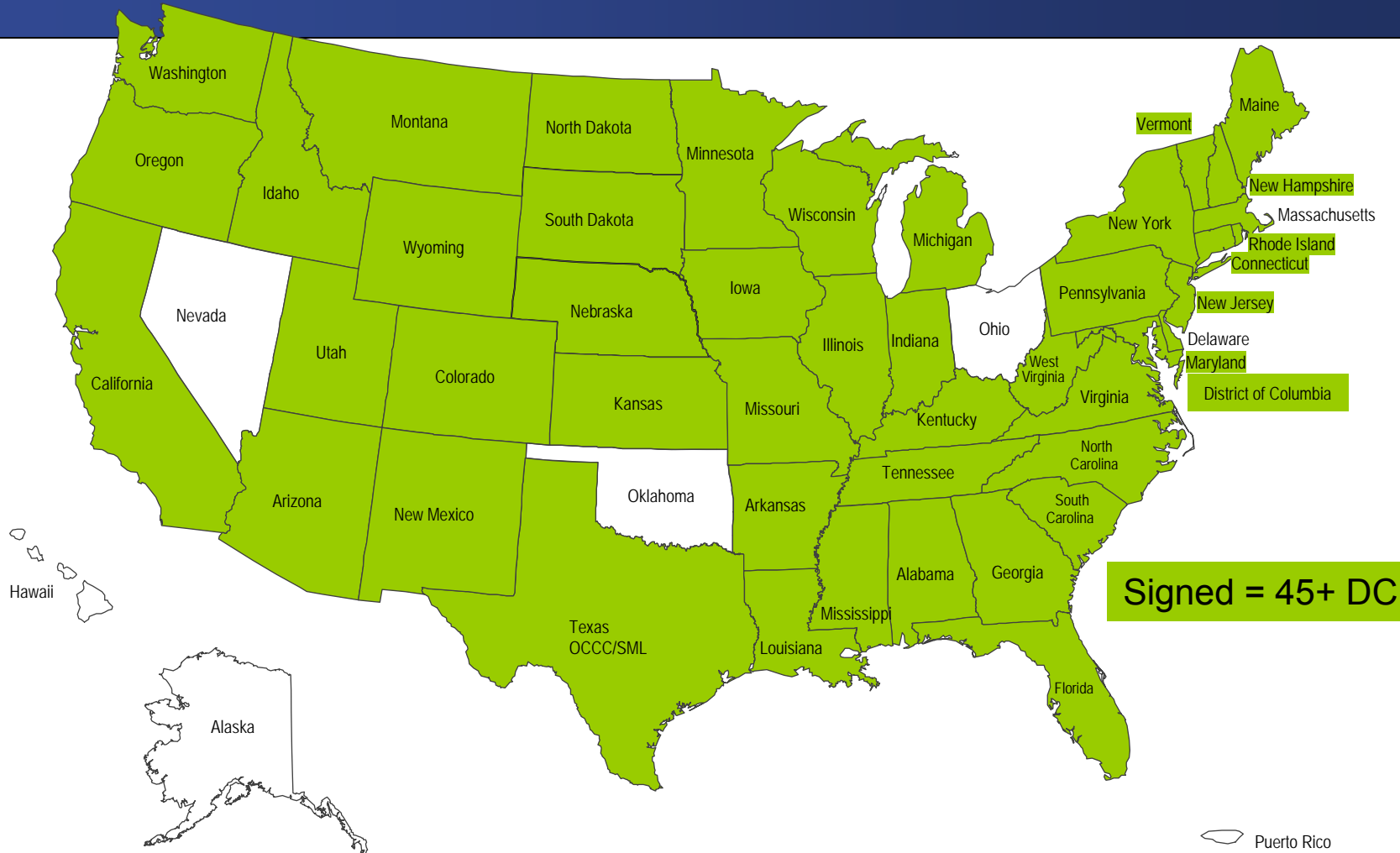
COORDINATED GOALS

- Protect Consumers
- Ensure Safety and Soundness
- Identify and Prevent Mortgage Fraud
- Seamless, Flexible, Risk Focused Exams
- Minimize Regulatory Burden and Expense
- Foster Consistency, Coordination and Communication

MMEs

- Multi-State Mortgage Entities
- Non-depositories
- Operating in two or more states/jurisdictions
- Identified and tracked by the Committee

**CSBS/AARMR NATIONWIDE COOPERATIVE
PROTOCOL AND AGREEMENT FOR MORTGAGE SUPERVISION
STATES SIGNED AS OF AUGUST 15, 2008**



States in green indicate that the corresponding state regulatory agencies have agreed to both the Protocol and Agreement.

Nationwide Mortgage Licensing System

QUESTIONS?

Gavin Gee (ID) SRR Chairman

John Allison (MS)

Steve Antonakes (MA)

David Bleicken (PA)

Tom Gronstal (IA)

Joseph Smith (NC)

www.stateregulatoryregistry.org/NMLS