



August 7, 2019

Understanding MLO Temporary Authority Operate

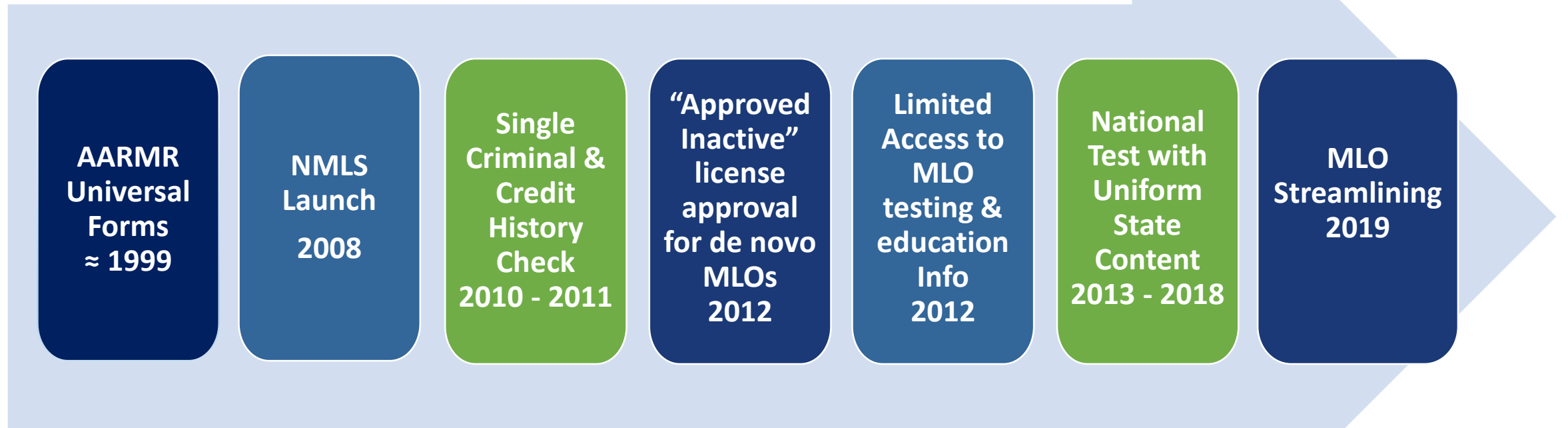
Tim Doyle
Senior Vice President
Conference of State Bank Supervisors (CSBS)

What are we covering today?

~~Streamlining MLO Licensing~~

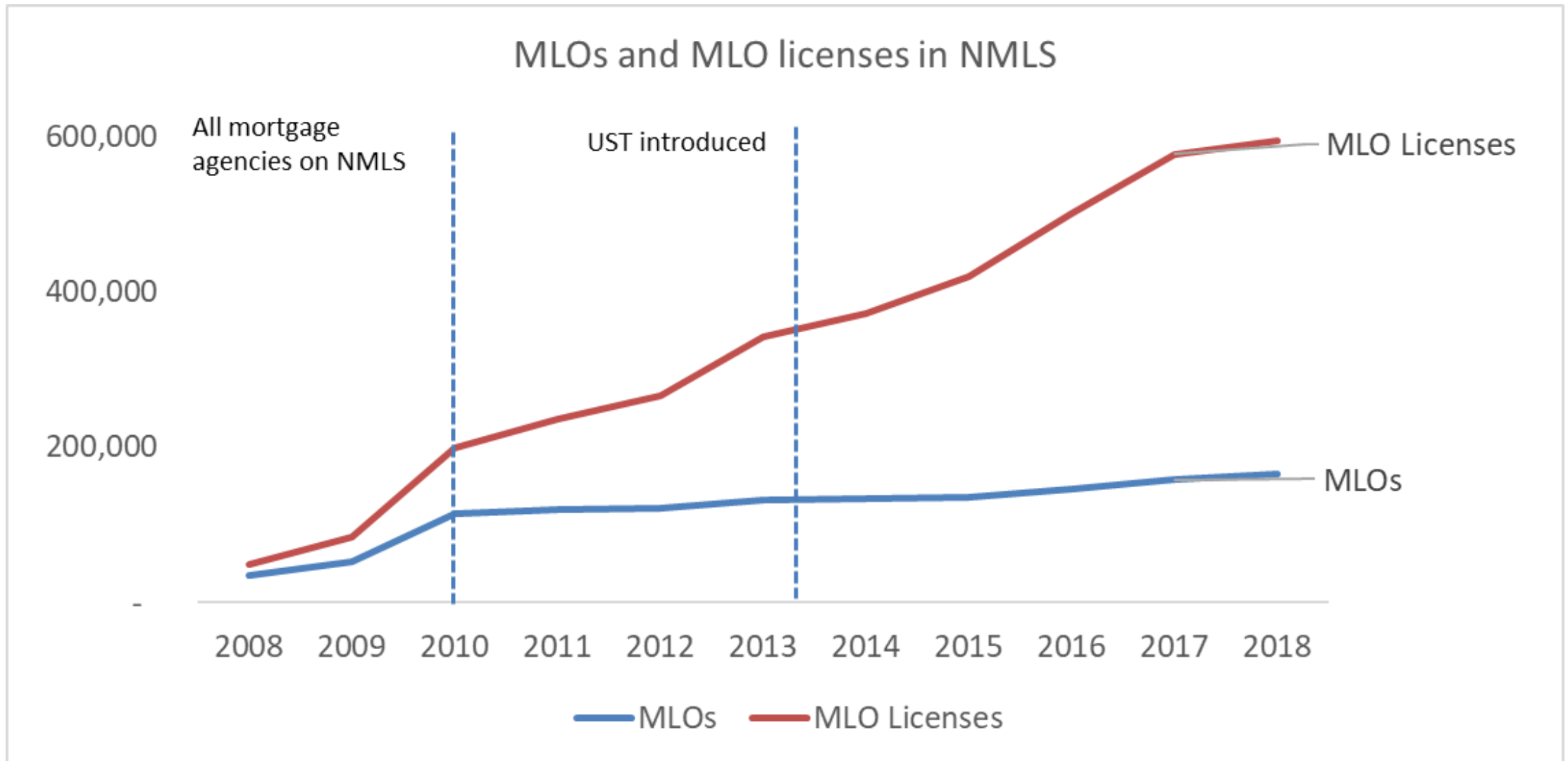
(Temporary Authority to Operate)

The Genesis of Streamlining MLO Licensure



A change in federal law allows state regulators to further streamline MLO licensing and reduce friction in lending nationwide.

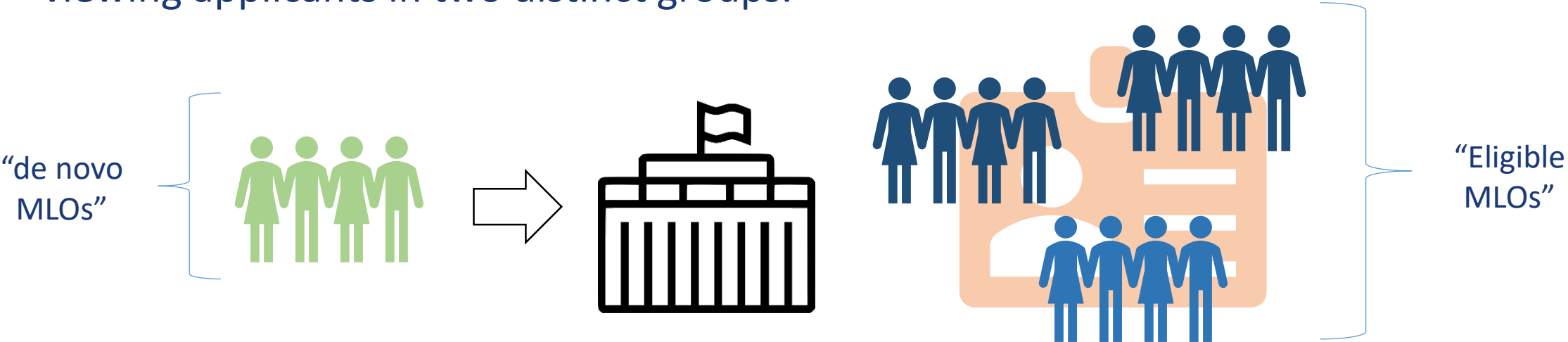
Mortgage License Stats: Individual MLOs



Expedited Processing for Existing MLOs/RMLOs

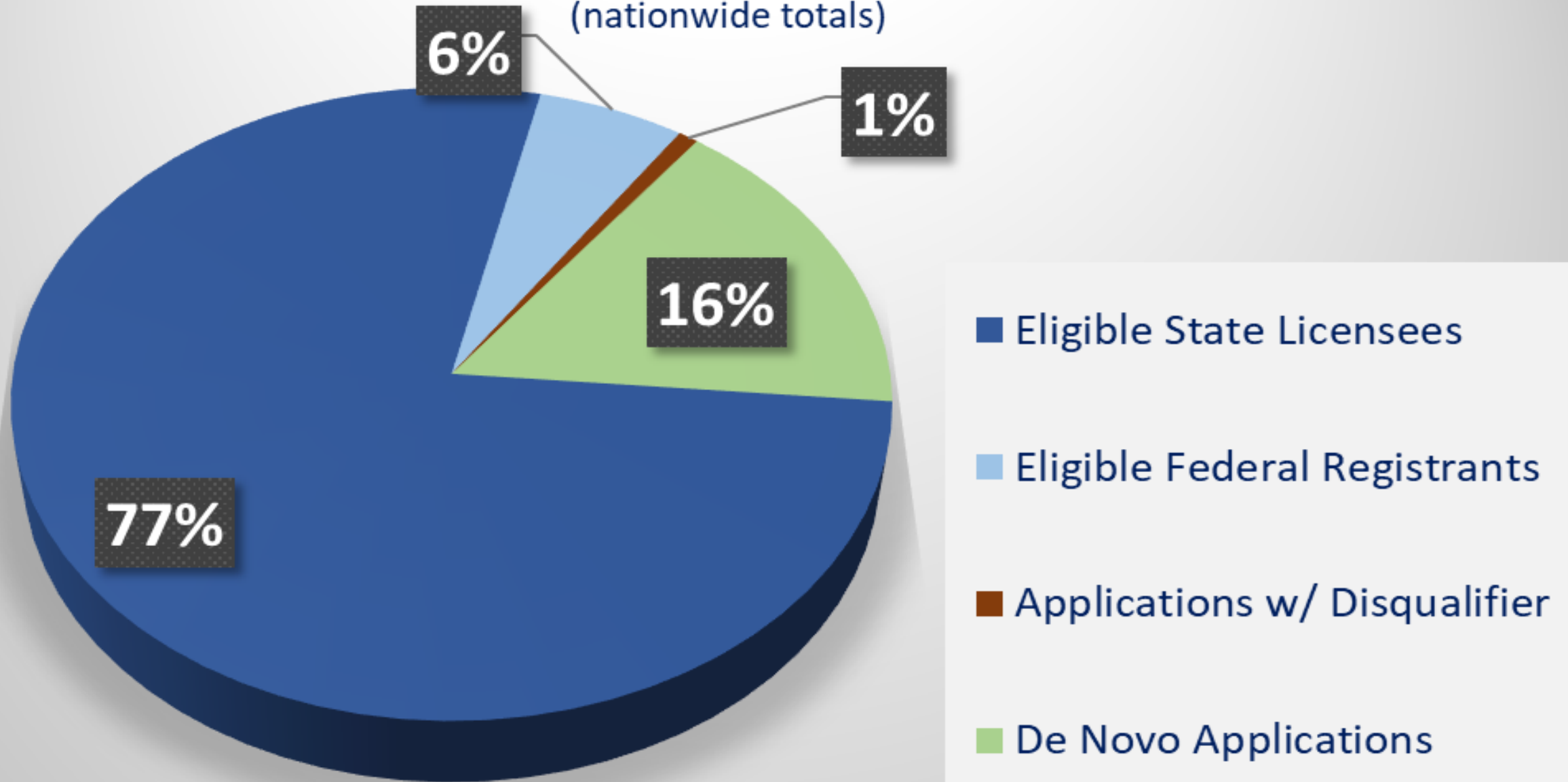


A first in/first out approach or treating every MLO applicant as new will give way to viewing applicants in two distinct groups.



2018 MLO Application by Temporary Authority to Operate Eligibility

(nationwide totals)



What is “Temporary Authority to Operate”

S.2155 Temporary Authority, an amendment to the 2008 SAFE Act, becomes effective November 24, 2019.

Permits a qualified mortgage loan originator (MLO) to continue originating loans while completing any state-specific requirements for licensure such as testing and education.

- MLOs changing employment from a depository institution to a state-licensed mortgage company
- State-licensed MLOs seeking licensure in another state

Who is an “Eligible MLO”

Previously Licensed or Registered MLO

- Licensed during the past 30 days
- Registered during the past 365 days
- Break in service \leq 14 calendar days when transitioning to a new license

W-2 Employee of a licensed mortgage company

No disqualifying criminal history

Has not had:

- license application denied
- license revoked or suspended
- A Cease & Desist order

How Long Does Temporary Authority Last

Temporary authority begins when a qualified MLO submits a complete MLO license application. It ends when the earliest of the following occurs:

- The MLO withdraws the application
- The state denies or issues a notice of intent to deny the application
- If the application remains incomplete after 120 days
- The state grants the license

Data Supports Streamlining MLO Licensure

93% of all applications were ultimately approved by state agency

- 40% were “clear”
(no CHRI, credit flags, no disclosures in NMLS; does not include data outside NMLS)
- 60% had issues (at least one of above)

Median turn times show current system is not risk-based

- All Applicants: 18 days
- Currently Licensed MLOs: 17 days

CHRI Review Period

For Temporary Authority eligible licenses, the applicant state will have a time to complete an initial RAP sheet review

- If the applicant has a RAP sheet, the state agency will have 2 business days to review the CHRI before Temporary Authority takes effect
- If the state agency requests additional information from the applicant, posting a “CBC” license item will extend the review period to 9 business days total
- During this review period, the state agency must receive adequate response to the request for clarification
- If the agency does not receive an adequate response, it will be incumbent on the agency to take action (e.g. intent to deny) to end TA eligibility.
 - If the applicant remains in the TA eligible status at the end of the 9 business day review period, the system will update the status to TA granted.

NMLS MLO License Streamlining

System determines initial Temporary Authority eligibility

- Company must identify individual as a W-2 employee
- Company must provide sponsorship

System indicates Temporary Authority for clean applications

Regulators review CBC within 2-business days

- Limited time if regulator requests additional information

Regulators can pre-approve the license prior to completion of T&E

New NMLS License Statuses

Pending Deficient (Temporary Authority Eligible)

- Pending CBC Results or Sponsorship
- Meets other eligibility requirements

Pending Deficient (Temporary Authority)

- CBC Results satisfied
- Pending Testing & Education requirements
- Pending License Item

Pending Review (Temporary Authority)

- Testing & Education requirements met

Pre-Approved (Temporary Authority)

- Pending Testing & Education

Important Milestones for Temporary Authority to Operate

NMLS release of Company Relationship screen enhancements: **July 20**

TA Instructional Demo at the AARMR Conference: **August 6**

User Acceptance Testing: **August 12 – 16**

State and Industry Training: **September – November**

Go live: **November 24, 2019**