



**State Regulatory Registry LLC  
Nationwide Mortgage Licensing System  
2008 Annual Report**

May 18, 2009



# STATE REGULATORY REGISTRY LLC

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Washington, D.C. 20036-4306

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May 18, 2009

Dear Nationwide Mortgage Licensing System Users:

We, the Board of Managers, present the first annual report on State Regulatory Registry LLC<sup>1</sup> (SRR) and the Nationwide Mortgage Licensing System (NMLS or the System) operations and performance.

In a year characterized by turmoil in the mortgage industry, the Conference of State Bank Supervisors<sup>2</sup> (CSBS) and the American Association of Residential Mortgage Regulators (AARMR<sup>3</sup>) are proud to have successfully introduced a state supervisory system that will enhance consumer protection and provide increased transparency to the mortgage industry. NMLS is a timely and critical tool for effective supervision of state licensed mortgage brokers and lenders.

After more than four years of planning, NMLS launched with seven states on January 2, 2008. We expect a total of 34 states to be using the System by Fall of 2009.

NMLS is a web-based application which enables participating state-licensed mortgage lenders, mortgage brokers, and loan officers to apply for, amend, update or renew licenses online with participating state agencies using a single set of uniform applications. The system benefits users by providing efficiency, uniformity and enhanced supervision. More information about NMLS can be found at the NMLS Resources website.<sup>4</sup>

In Title V of the 2008 Housing and Economic Recovery Act, signed into law on July 30, 2008, the U.S. Congress recognized the importance of the CSBS/AARMR Nationwide Mortgage Licensing System and mandated that all mortgage loan originators must be either federally

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<sup>1</sup> State Regulatory Registry LLC is a wholly owned subsidiary of CSBS and owns and operates the Nationwide Mortgage Licensing System (NMLS). The Board of Managers consists of six state bank and mortgage regulators. Formed in 2006, SRR is a non-profit corporation based in Washington, D.C.

<sup>2</sup> CSBS is the nationwide organization for state banking, representing the bank regulators of the 50 states, the District of Columbia, Guam, Puerto Rico and the Virgin Islands, and approximately 6,200 state-chartered financial institutions. The Conference is responsible for defending state authority to determine banking structure and the products and services state-chartered institutions can offer and for improving the quality of state bank supervision by providing department performance evaluation and accreditation programs and supervisory education/training programs for state banking department personnel.

<sup>3</sup> AARMR is the national organization representing state residential mortgage regulators. AARMR's mission is to promote the exchange of information between and among the executives and employees of the various states who are charged with the responsibility for the administration and regulation of residential mortgage lending, servicing and brokering.

<sup>4</sup> <http://www.stateregulatoryregistry.org/NMLS>

registered or state-licensed through NMLS. The SAFE Act set minimum requirements for mortgage loan originators in areas of education, testing, integrity and financial responsibility that states must adopt.

In order to assist states in passing legislation that meets the minimum standards set forth by the SAFE Act, a state working group (with input from industry representatives) developed a model state law (MSL) in August 2008. The U.S. Department of Housing and Urban Development (HUD) reviewed the MSL and indicated that “*State legislation that follows the provisions of the model legislation, whether by statute or regulation, will be determined to have met the applicable minimum requirements of the SAFE Act*.”<sup>5</sup> States are now in the process of passing conforming legislation to comply with the SAFE Act.

All in all, we could not be more pleased with NMLS’ first year of operation, which makes us excited about what is coming in 2009. NMLS is achieving exactly what AARMR and CSBS leaders intended; namely, to provide a world class system for the regulation of the mortgage industry, and demonstrate that state regulation is innovative, effective and ahead of the game.

The next few years we will focus primarily on SAFE Act implementation and compliance, consumer access, transitioning states onto NMLS, working with the federal banking regulators on registered MLOs, expanding and improving NMLS functionality and services, and establishing a full education and testing program.

Sincerely,

State Regulatory Registry LLC Board of Managers

Gavin Gee, Chairman and Idaho Director of Finance

Steven Antonakes, Treasurer and Commissioner, Massachusetts Division of Banks

Thomas Gronstal, Manager and Superintendent, Iowa Division of Banking

John Allison, Manager and Commissioner, Mississippi Department of Banking and Consumer Finance

Joseph Smith, Manager and Commissioner, North Carolina Office of Commissioner of Banks

David Bleicken, Manager, AARMR President and Deputy Secretary, Pennsylvania Department of Banking

Timothy Karsky\*, Manager, CSBS Chairman and Commissioner, North Dakota Department of Financial Institutions

Neil Milner\*, Secretary, Manager and CSBS President and CEO

William Matthews\*, Manager and SRR President and CEO

\*Non-voting members of the SRR Board of Managers

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<sup>5</sup> <http://www.hud.gov/offices/hsg/ramh/safe/smllicact.cfm>

# **State Regulatory Registry LLC**

## **Nationwide Mortgage Licensing System**

### **2008 Annual Report**

#### **Executive Summary**

After four years of planning, design and development by state regulators, the Nationwide Mortgage Licensing System (NMLS) launched on January 2, 2008. Selected NMLS statistical highlights during 2008 or at year-end include:

- Seven states participated in NMLS at launch and 19 states participated by year-end
- 14 states processed 30,897 license renewals through NMLS in November and December
- 72,764 entities (companies, branches and mortgage loan originators) that held 90,176 state licenses from 19 participating states were managed by NMLS
- 756,578 transaction requests by licensees to the 19 participating states were processed by NMLS
- Over \$24 million in state license fees were collected and disbursed by NMLS
- 147,758 inquiries from users were answered by the NMLS Call Center
- Over 700,000 visits were made to the NMLS Resources website
- Over 30 live user training sessions, instructing over 1,300 professionals were conducted by the State Regulatory Registry LLC (SRR) in 2008
- SRR net income for 2008 was a negative \$647,000
- SRR had 13 full-time equivalent employees at year-end

## **SRR and NMLS Organizational History and Background**

State Regulatory Registry LLC<sup>1</sup> was organized in September 2006, by state mortgage regulators through the Conference of State Bank Supervisors<sup>2</sup> (CSBS) to own and operate the Nationwide Mortgage Licensing System<sup>3</sup> (NMLS or the System).

SRR is governed by a Board of Managers that consists of state regulatory officials that are members of CSBS and the American Association of Residential Mortgage Regulators<sup>4</sup> (AARMR). At the end of 2008 the SRR Board of Managers was comprised of six voting members that include five CSBS representatives and one AARMR representative, as follows: Gavin Gee, Chairman and Idaho Director of Finance; Steven Antonakes, Treasurer and Commissioner, Massachusetts Division of Banks; Thomas Gronstal, Superintendent, Iowa Division of Banking; John Allison, Commissioner, Mississippi Department of Banking and Consumer Finance; Joseph Smith, Commissioner, North Carolina Office of Commissioner of Banks; and David Bleicken, AARMR President and Deputy Secretary, Pennsylvania Department of Banking. The three non-voting, ex officio members were: Timothy Karsky, CSBS Chairman and Commissioner, North Dakota Department of Financial Institutions; Neil Milner, Secretary and CSBS President and CEO; and William Matthews, SRR President and CEO. CSBS' organizational chart is provided in Appendix A.

NMLS is a web-based system that allows state-licensed mortgage lenders, brokers, and mortgage loan originators to apply for, amend, update or renew licenses online for participating state agencies using a single set of uniform applications. NMLS facilitates the licensing and regulatory process for state regulators and licensed entities, but does not have any regulatory authority to approve, deny, suspend or revoke an entity's license. The System originates and tracks unique identification numbers for all state licensed mortgage originators, lenders and brokers. NMLS provides for a central repository of licensing information and enforcement actions creating greater consumer protection, accountability, industry professionalism and efficiencies. More information about NMLS can be found at the NMLS Resources website<sup>5</sup>.

The initial system that launched in January 2008 had core functionality for regulators and industry users. During 2008 additional functionality was added through three major system upgrades. System enhancements planned for 2009 include consumer access to state licensing information and other SAFE related requirements.

NMLS had no significant operating problems during 2008. The NMLS Call Center played a major role in assisting users to navigate through the System. Recognizing that NMLS is a new system, user input is appreciated and welcomed.

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<sup>1</sup> [www.stateregulatoryregistry.org](http://www.stateregulatoryregistry.org)

<sup>2</sup> [www.csbs.org](http://www.csbs.org)

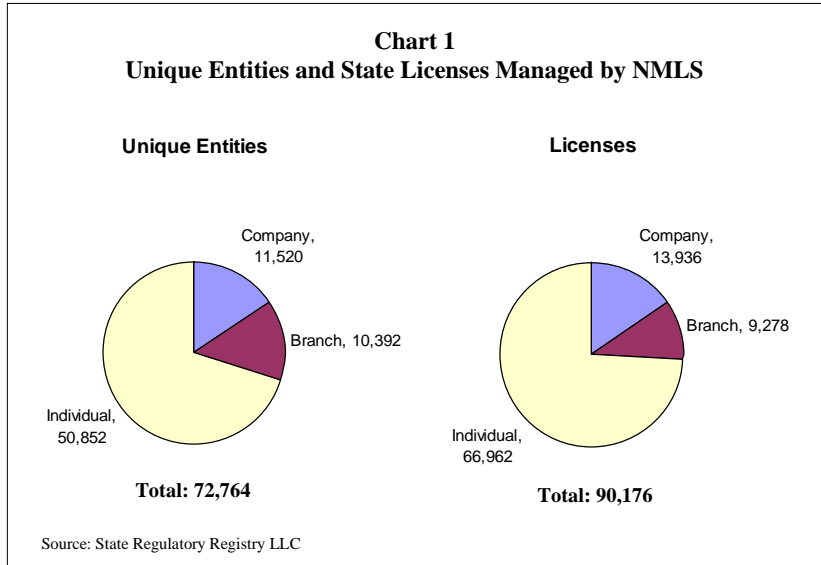
<sup>3</sup> [www.stateregulatoryregistry.org/NMLS](http://www.stateregulatoryregistry.org/NMLS)

<sup>4</sup> <http://www.aarmr.org/>

<sup>5</sup> <http://www.stateregulatoryregistry.org/NMLS>

**NMLS Operating Highlights**

NMLS Operations. In 2008 the System operated as designed with no major functionality or system availability problems. At year-end, NMLS managed 72,764 entities (companies, branches and mortgage loan originators) that held 90,176 state licenses from 19 participating states. Chart 1 provides a 2008 year-end breakout of the number of unique entities and licenses by company, branch and mortgage loan originator being managed in the System. On average, each mortgage loan originator and each company held 1.3 and 1.2 licenses, respectively. In as much as some companies have created a branch but not yet submitted a license request; there are more branch entity ID's than number of licenses.



In 2008, NMLS processed 756,578 transaction requests from licensees to the regulators in the 19 participating states. Transaction types included requests to transition existing licenses onto NMLS, new license applications, amendments or updates to an existing license or applicaton,

**Table 1**  
**2008 NMLS Transactions by Type by Entity**

Transaction Type	Company	Branch	Individual	Total	% of Total
Transition Requested	13,193	8,104	35,017	56,314	7.4%
New License Requested	1,891	2,863	33,980	38,734	5.1%
Amendment	188,915	65,659	291,456	546,030	72.2%
Renewal Requested	7,489	4,877	32,035	44,401	5.9%
Sponsorship Request			56,783	56,783	7.5%
Sponsorship Removal			9,456	9,456	1.2%
Surrender Requested	803	1,250	397	2,450	0.3%
Other	495	669	1,246	2,410	0.3%
<b>Grand Total</b>	<b>212,786</b>	<b>83,422</b>	<b>460,370</b>	<b>756,578</b>	<b>100.0%</b>
<b>% of Total</b>	<b>28.1%</b>	<b>11.0%</b>	<b>60.8%</b>	<b>100.0%</b>	

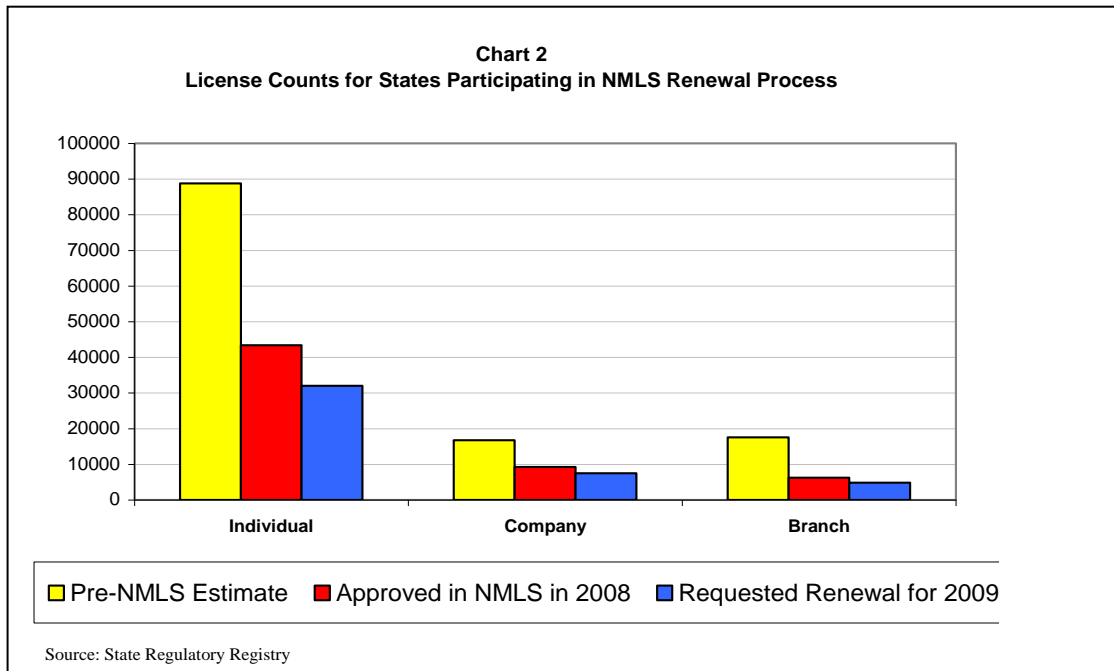
Source: State Regulatory Registry LLC

annual license renewals, changes in employment for mortgage loan originators, etc. Table 1 gives a breakdown of major licensee transaction requests to regulators by transaction type by entity. Mortgage loan originators had 60.8 percent of the transactions, compared with 28.1 percent from companies and 11.0 percent from branches. Amendment transactions had 72.2 percent of the transaction types, followed by MLO sponsorship requests and existing license transition requests of 7.5 percent and 7.4 percent respectively.

At year-end 2008, licensees in 14 states renewed licenses through NMLS. Licensees are able to update records throughout the year and are required during the November 1 – December 31st renewal period to pay renewal fees and attest to the accuracy and completeness of their record in NMLS. The inaugural 2009 Streamlined Renewal process operated without any major complications with 44,401 renewal requests processed. After an evaluation of the user experience during the 2009 Streamlined Renewal process, several enhancements will be made to NMLS to simplify this process for 2009 renewals.

The System is generally available during extended business hours seven days a week, 362 days per year. In 2008, NMLS was not available for short periods of time to allow for the installation of system upgrades and maintenance.

Chart 2 shows the number of licensees for 14 states that renewed their licenses through NMLS. The “yellow bars” represent the number of licenses by type (company, branch and mortgage loan originator) as estimated in late 2007 by the 14 state mortgage regulators; the “red bars” represent the number of licenses that transitioned onto NMLS in 2008; and the “blue bars” show the number of licensees that renewed their licenses during the 2008 renewal period (November 1<sup>st</sup> through December 31<sup>st</sup>).



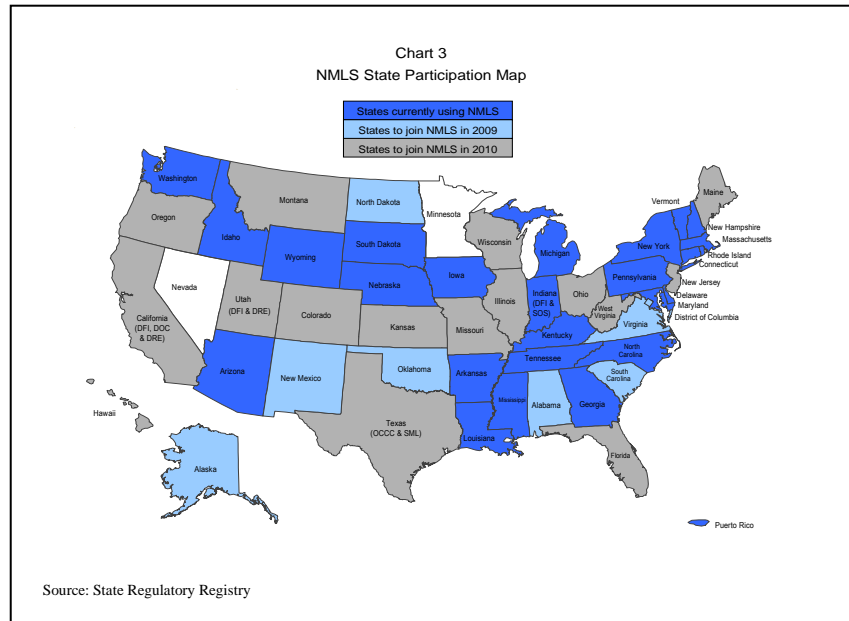
For these 14 states, only 49 percent of individual mortgage loan originator licenses, as estimated by the state agencies transitioned onto NMLS and only 36 percent renewed licenses at year-end 2008. A total of 55 percent of estimated company licenses transitioned onto NMLS, and 45 percent renewed licenses. Some of the 14 states provided licensees with a reinstatement period in early 2009 to renew its licenses. The percentages in Chart 2 do not reflect any renewals during the reinstatement period.

Participating State Agencies. NMLS launched with seven states on January 2, 2008, and by year-end 19 states were using NMLS as its licensing system of record to process and manage new and existing licenses.

A total of 34 states are scheduled to use the System by Fall of 2009. Chart 3 illustrates the states currently using NMLS and those that are scheduled to participate in 2009 and 2010. Two states, Minnesota and Nevada, have not formally indicated their intent to participate in NMLS.

Call Center. NMLS operates a call center in Rockville, Maryland that provides support to NMLS users, including assistance in

setting up an initial account, completing uniform license application forms, submitting such forms to state regulators and guidance through the renewal process. By assisting users in navigating through a new electronic system, the call center played a key role in the System’s success during its first year of operation. Table 2 provides statistics for call center activity for 2008. The call center activity was at its highest just prior to state transition deadlines and during the November 1<sup>st</sup> to December 31<sup>st</sup> annual renewal period.



The call center expanded its hours of operation during 2008 as western states came onto the System. At year-end the call center was open from 8:00 AM to 7:00 PM ET. Call center staffing also increased during the year to meet increasing demands as additional states transitioned onto the System. At year-end the call center employed 34 full-time professionals.

	2008 <u>Total</u>	Monthly <u>Average</u>	<u>December</u>
Total calls	147,758	12,313	31,994
Abandoned calls	5,599	467	1,993
Avg. minutes to answer		1.3	3.4
Avg. call length (minutes)		8.8	10.3
Source: State Regulatory Registry LLC			

The NMLS Call Center was also engaged on a case-by-case basis to assist state agencies and licensees by making outbound calls to offer assistance in advance of state deadlines. The NMLS Call Center is funded through the NMLS processing fees and operates free of charge to System users.

Transitioning onto NMLS. About six months prior to a state's participation in NMLS, SRR begins work with a regulatory agency to develop a transition plan for the agency and its licensees, provides training, and gathers license information and other data from the agency to be included in the System and on the NMLS Resources website. Agency staff participates in a three-day NMLS classroom training session in Rockville, Maryland and are given access to an NMLS training environment. In addition, SRR developed multiple vehicles to train regulator and industry users on how to get started and proficiently use the System. The NMLS Resources website provides tools and resources including navigation guides, interactive tutorials, work flow processes, and quick guides. In 2008, SRR held over 30 live training events for industry and regulatory users which provided instruction to over 1,300 professionals. The first NMLS annual user's conference was held in February 2009.

NMLS Resources Website. The NMLS Resources website<sup>6</sup> provides users with information, tools and tips, and serves as the gateway to NMLS. The website received 700,373 visitors and 1.9 million page views in 2008. The site's resources include:

- NMLS news and alerts
- Getting started guides and workflows
- State-specific transition plans and schedules
- State-specific licensing requirement checklists

<sup>6</sup> <http://www.stateregulatoryregistry.org/NMLS>

- Training materials (navigation guides, tutorials, how-to quick guides)
- Registration for training workshops
- How to get help
- Providing comment and feedback on NMLS

NMLS User's Conference. The inaugural NMLS User Conference & Training was held February 10-12, 2009 in New Orleans, Louisiana. The conference consisted of combined general sessions and regulatory and industry break out sessions. Speakers included state regulators, industry users, U.S. Department of Housing and Urban Development, NMLS call center personnel and SRR staff. The conference was attended by 155 individuals, including 49 regulators and 89 licensees. More information on the NMLS User's Conference is available on the NMLS Resource website<sup>7</sup>.

2008 System Development. NMLS design and development, including the uniform application MU Forms, is accomplished through various working groups, taskforces and committees populated by CSBS and AARMR members, industry and SRR staff. Countless volunteer hours have gone into this process and have been a primary key to NMLS' on-time and on-budget launch, and relatively smooth operations.

The initial system that launched in January 2008 had core filing functionality for regulators and industry users. During 2008 additional functionality was added through three major system upgrades that included data download capabilities, standard industry and regulatory reporting on NMLS data, system notifications, electronic company entitlement and license renewal capabilities. System enhancements planned for 2009 include electronic submission of financial statements, SAFE Act testing and education capabilities, consumer access, criminal background checks and modifications to the renewal process. In 2008, state regulatory agencies provided \$3.0 million in funds to pay for the development of NMLS.

Items Issued for Public Comment. Proposals issued for public comment are available on the NMLS Resources website<sup>8</sup>. Two proposals were issued for comment in 2008.

On July 18, 2008 (prior to passage of the SAFE Act), SRR, on behalf of the state regulatory agencies using NMLS, issued for public comment the questions and definitions proposed to be used in the NMLS Uniform Annual Report. Comments were due by August 11, 2008. A total of eight comments were received in response to the Request for Comments. SRR reviewed the comments but placed the process of developing the NMLS Uniform Annual Report on hold until

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<sup>7</sup> <http://www.csbs.org/AM/Template.cfm?Section=Home3&Template=/CM/HTMLDisplay.cfm&ContentID=18680>

<sup>8</sup> <http://www.stateregulatoryregistry.org/AM/Template.cfm?Section=Comments>

it could be revisited in the context of the SAFE Act requirement<sup>9</sup> for mortgage licensees to submit a “Mortgage Call Report” to NMLS.

On November 20, 2008, SRR, on behalf of state regulators participating in NMLS, invited public comment on the Mortgage Uniform Forms (MU Forms) and Instructions. The MU Forms are the nationwide standard of information collection for mortgage licensing and serve as the framework for records maintained in NMLS. The comment deadline was Friday, December 19, 2008. A total of 63 comments were received in response to the Request to Comments. SRR and the regulatory MU Forms Working Group reviewed the comments and proposed recommendations to the Residential Mortgage Regulatory Taskforce and the Mortgage Licensing Policy Committee. SRR expects to announce changes to the MU Forms in the second quarter of 2009.

Security, Privacy or Breach Issues. SRR did not experience any material issues related to security, privacy or information breach in 2008. NMLS’ Privacy, Data Security and Security Breach Notification Policy is available on the NMLS Resources website<sup>10</sup>.

Legal Issues. SRR did not have any adverse legal issues in 2008.

NMLS Online Agreement Amendments. In an effort to streamline the flow of information between NMLS and its users, SRR amended both the *Agency* and *Applicant/Licensee Agreements* to specifically authorize SRR to send communications concerning NMLS to licensees using the licensee’s contact information stored in NMLS. The increased use of NMLS, coupled with the passage of the SAFE Act, has highlighted the need for efficient communication between the System and its users. The communications envisioned are relevant updates and new items about NMLS that are of interest to the users of NMLS. These communications are in addition to system-generated notifications. NMLS received approvals from state regulators to access this information so licensees currently receive these types of communications. SRR will not share contact information with any third parties. Section 4(E) of the Applicant/Licensee Agreement has been amended as follows: “SRR may collect and manipulate Applicant Data for the sole purpose of disseminating Applicant Data aggregated on a regional or national level. SRR may also copy, process, store and distribute Applicant Data consistent with SRR’s performance of its obligations for the state agencies participating in NMLS. Applicant grants SRR the right to use Applicant contact information from time to time for the purposes of issuing communications concerning NMLS to Applicant.”

Recipients have the ability to “opt out” of receiving these notifications.

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<sup>9</sup> Section 1505(e) of the SAFE Act stipulates that “each mortgage Licensee shall submit to the Nationwide Mortgage Licensing System and Registry reports of condition, which shall be in such form and shall contain such information as the Nationwide Mortgage Licensing System and Registry may require.”

<sup>10</sup> [http://www.stateregulatoryregistry.org/AM/Template.cfm?Section=Privacy\\_Policy](http://www.stateregulatoryregistry.org/AM/Template.cfm?Section=Privacy_Policy)

## **Secure and Fair Enforcement for Mortgage License Act of 2008 (SAFE Act)**

On July 30, 2008, the President signed into law the Housing and Economic Recovery Act of 2008. Title V of this Act, entitled *The Secure and Fair Enforcement for Mortgage Licensing Act of 2008* (“SAFE Act”), recognizes and builds on states efforts by requiring all mortgage loan originators to be either state-licensed or federally registered. All mortgage loan originators must be licensed or registered through the expanded Nationwide Mortgage Licensing System and Registry.

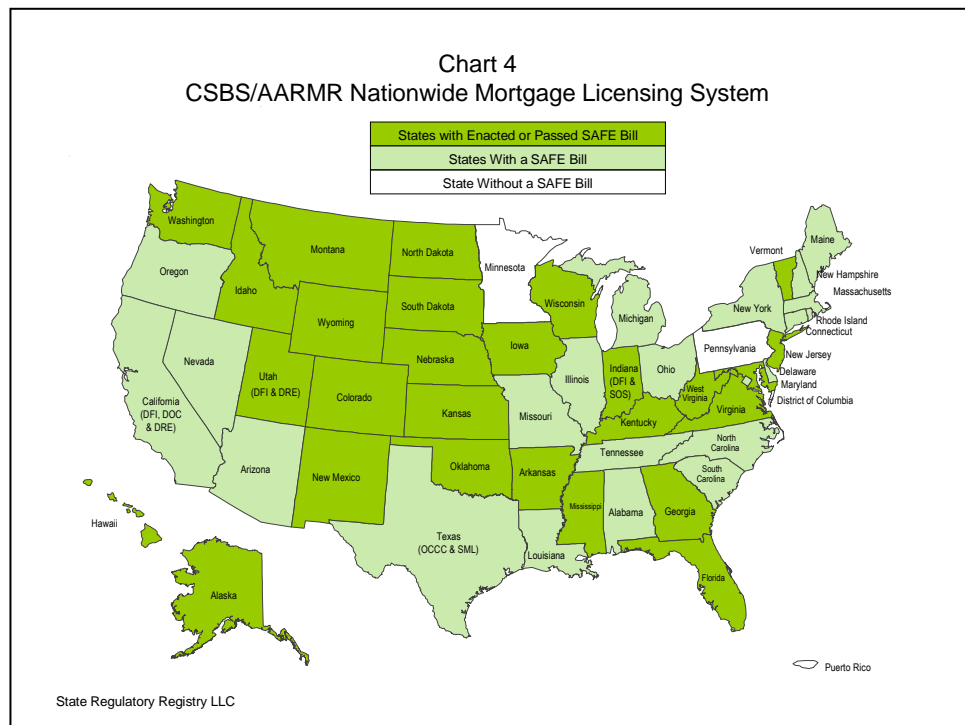
Under the SAFE Act, all states must license mortgage loan originators according to minimum standards through NMLS.

Model State Law. After becoming law, the states immediately began to work to implement the SAFE Act. A state Legislative Taskforce was established to draft a model state law for mortgage regulation and to meet the minimum standards in the SAFE Act. On August 19, 2008, a draft model state law was presented to and discussed with industry at the AARMR Annual Conference. States began introducing the proposed legislation soon after Labor Day. In 2009 states, through CSBS and AARMR, will look to develop model state SAFE Act regulations.

In late December 2008, HUD posted the following on its website:

*HUD reviewed the model legislation to determine whether it meets the minimum requirements of the SAFE Act and finds that it does. State legislation that follows the provisions of the model legislation, whether by statute or regulation, will be determined to have met the applicable minimum requirements of the SAFE Act. The complete text of the model legislation, reviewed by HUD, is provided here. More information about the model legislation can be found at CSBS's [website](#). The commentary that follows presents HUD's views and interpretations of certain statutory provisions that required consideration and analysis in determining that the model legislation meets the minimum requirements of the SAFE Act.*

As of May 18, 2009, SAFE Act enabling legislation was introduced in 50 states and territories affecting 54 state mortgage regulatory agencies, as shown in Chart 4. Bills in most of the other states and territories are being drafted and are scheduled to be introduced this legislative season. Legislatures have passed SAFE Act enabling legislation for 28 state agencies. SRR tracks the progress of SAFE Act enabling legislation on the CSBS website<sup>11</sup>.



**NMLS SAFE Act Requirements.** Under the SAFE Act, CSBS and AARMR must develop and maintain NMLS. The law also outlines what the states and NMLS, are expected to accomplish. These expectations include:

- Establishing protocols for the issuance of unique identifiers
- Receiving and processing fingerprints for national and state criminal history background checks for all loan originators
- Developing and administering a qualified written test and approve test providers
- Reviewing and approving, using reasonable standards, pre-licensure and continuing education courses
- Developing a mortgage call report
- Providing public access to licensing information
- Collecting and distributing federal and state consumer complaints

Specific functionality is being added to NMLS in 2009 and 2010 to meet SAFE Act requirements for education, testing, background checks, public access and call reports.

**State SAFE Act Requirements.** By July 31, 2009, states must pass SAFE enabling legislation to establish a system of licensing for residential mortgage loan originators that meets

<sup>11</sup> [http://www.csbs.org/AM/Template.cfm?Section=SAFE\\_Act](http://www.csbs.org/AM/Template.cfm?Section=SAFE_Act)

national definitions and minimum standards set forth in the SAFE Act. These include, among other things: criminal history and credit background checks, pre-licensure education, pre-licensure testing, continuing education, net worth, and surety bond or recovery fund. Additionally, all states must license mortgage loan originators through NMLS.

HUD must determine that each state's mortgage loan originator licensing standards meet the federally mandated minimums and that the state is participating in NMLS.

If HUD determines that a state is not in compliance with these two items, then HUD must implement a system for all state licensed mortgage loan originators in that state. HUD's regulation under the SAFE Act would be in addition to any state-licensing requirements.

Education and Testing. The SAFE Act establishes a number of requirements for NMLS in the areas of testing and education to ensure that all state-licensed mortgage loan originators demonstrate a basic level of industry and regulatory knowledge.

Development of the testing and education policies, procedures, exams and NMLS-related functionality has involved significant input from industry and regulatory experts. Many individuals have volunteered their time, expertise and resources to participate in standing and temporary working and taskforce groups to assist in meeting the SAFE Act testing and education requirements.

NMLS is in the process of developing a test that will consist of two parts – a national component (that will test on ethics, federal laws, consumer protection, general mortgage knowledge and mortgage loan originator activities), and a state component (for each individual state that will test on state mortgage laws, regulations and definitions, consumer protection and compliance requirements). The test components are being developed by Pearson VUE in cooperation with hundreds of subject matter experts who serve on test development committees. The test components will be administered through two national testing firms, Pearson VUE and Prometric. To be licensed in a state, a mortgage loan originator must pass the national component and a state component specific to that state. The national and a dozen state components are scheduled for deployment by the end of July 2009.

NMLS is also developing policies and procedures to approve courses and course providers for 20 hours of pre-licensure education and eight hours of continuing education that is required for all state-licensed mortgage loan originators. The examination registration and scheduling, collection, retention, and dissemination of test activity, and pre-licensure and continuing education activity is scheduled to be integrated into NMLS in July 2009.

On November 13, 2008, SRR issued a Request for Proposal (RFP) for testing and education services. On January 16, 2009, SRR approved the proposal submitted by the Financial Industry Regulatory Authority, Inc. (FINRA) and its sub-contractors Pearson VUE and Prometric to

implement the SAFE Act testing and education requirements. SRR posted in May 2009 education and testing policies and procedures and time lines on the NMLS Resources website.

## **Uniformity of State Regulation and Supervision**

Since the collapse of the savings and loan industry and the evolution of the originate-to-distribute securitization mortgage finance model states have filled regulatory gaps in the system in order to protect consumers and oversee the origination process of residential mortgage loans. This was initially accomplished through the licensing and supervision of mortgage companies and professionals and anti-predatory lending laws and regulations.

States also recognized the need for greater uniformity and coordination among regulatory agencies to supervise multi-state companies and to track unscrupulous professionals in the industry.

NMLS. Planning and creating the NMLS was a keystone in this effort to drive uniformity, increase consumer protection and enhance supervision. To participate in NMLS, each state is required to pass enabling legislation in order to use the uniform license application MU Forms and definitions and renew licensees at calendar year-end. Many other elements of NMLS, including the assignment of a unique identification number (to all licensed companies, branches and mortgage loan originators), are providing efficiency and uniformity to state licensing and regulation.

Issuance of Guidance. In 2006, CSBS and AARMR developed and encouraged its members to adopt the Guidance on Nontraditional Mortgage Product Risks (the Guidance), which mirrored guidance developed by the federal financial agencies. Again in 2007, CSBS, AARMR and the National Association of Consumer Credit Administrators released the Statement on Subprime Mortgage Lending (Subprime Statement), which also mirrored a federal statement.

Model Examinations. CSBS and AARMR developed Model Examination Guidelines (MEGS) in order to provide state regulators with a uniform set of examination standards for conducting examination reviews under the Guidance and the Subprime Statement. In late 2008, the organizations published the CSBS/AARMR Reverse Mortgage Examination Guidelines (RMEGs) as proactive measures to monitor practices related to this growing area of mortgage lending.

Cooperative Agreement. As of year end, a total of 47 states, the District of Columbia and Puerto Rico had agreed to the Nationwide Cooperative Protocol and Agreement for Mortgage Supervision. The purpose of the initiative is to assist state mortgage regulators by outlining a basic framework for the coordination and supervision of multi-state mortgage entities (those institutions operating in two or more states). A major focus of the initiative is the employment of robust examination software to be used in pre-screening the institution's entire loan portfolio to

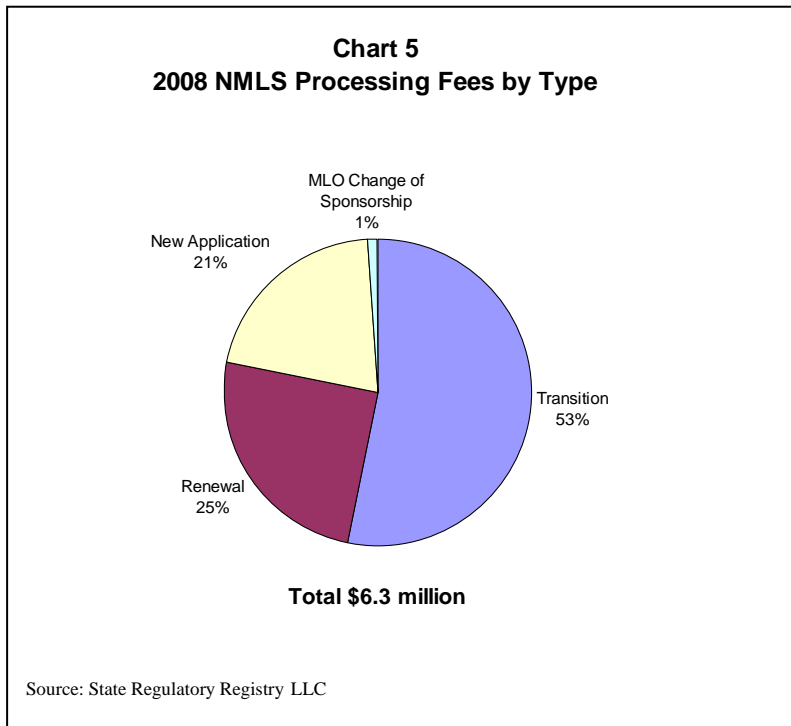
identify overall risk and potential problem areas requiring greater supervisory attention. Through a master services agreement between CSBS/AARMR and ComplianceEase®, all state mortgage regulators, including depository regulators of institutions with mortgage portfolios, will have the ability to utilize ComplianceAnalyzer® and RegulatorConnect™ web-based software for both onsite examinations and offsite monitoring.

### NMLS Processing Fees

To fund development, functionality and operations, as well as to the achieve the objectives of the SAFE Act, NMLS charges processing fees for company, branch and mortgage loan originator licenses managed in the System. There are three basic fees, as follows:

- (1) Initial Set-up Fee. This \$100/\$20/\$30 fee is charged each time a company (Form MU1), branch (Form MU3), or mortgage loan originator (Form MU4), respectively, uses NMLS to transition an existing license or to apply for a new license in a participating state. The Initial Set-up Fee is “per state, per license.”
- (2) Annual Processing Fee. This \$100/\$20/\$30 fee is charged annually at the time of renewal when a company, branch, or mortgage loan originator, respectively, renews a license in a participating state. This fee is a “per state/per license” fee.
- (3) Mortgage Loan Originator Transfer fee. This \$30 fee is charged each time the NMLS processes a company’s request to have a mortgage loan originator’s license affiliated with that company. In essence, this fee is charged each time a mortgage loan originator changes employment. This fee is a “per state/per license” fee.

NMLS processing fees collected in 2008 by type are provided in Chart 5. Other NMLS services, such as the call center, system access, updating a licensee’s record and reports are provided at no charge to the user. NMLS processing fees are paid for by the licensee or the state and are used primarily for NMLS annual operating expenses. The NMLS processing fees are reviewed annually and set by the SRR Board of Managers. The fees are



provided on SRR's website<sup>12</sup>.

## State Regulatory Registry Financial Report

Highlights of SRR's audited financial statements as of December 31, 2007 and 2008 are shown in Table 3. SRR's \$10.4 million in 2008 total assets nearly doubled from 2007 as it continued to invest in the expansion and enhancement of NMLS<sup>13</sup>. Borrowings almost tripled in 2008 to fund both operations and NMLS development costs.

Total SRR 2008 revenues of \$9.6 million were derived from \$6.3 million in NMLS processing fees and \$3.3 million in development and operating support from the states. NMLS operating expenses totaled \$10.3 million, resulting in a \$647,000 net loss for the year. In 2008, state regulatory agencies provided \$3.0 million in funds that were used to pay for the development of NMLS. Total state contributions for NMLS development over the past several

years is \$7.1 million. NMLS collected and disbursed over \$30 million on behalf of the states participating in NMLS.

Table 3  
**State Regulatory Registry LLC**  
**2008 Financial Highlights (audited)**  
(Dollars in Thousands)

	<u>2008</u>	<u>2007</u>
Total assets	\$10,410	\$5,409
Mortgage licensing system, net <sup>6</sup>	8,312	5,197
Lines of credit	5,705	1,999
Retained earnings	2,210	2,857
Revenues	9,605	3,097
Expenses	10,252	1,253
Net income (12 months)	(647)	1,844

## Questions and Comments

Comments and questions about SRR, its Annual Report, or NMLS should be directed to the NMLS website<sup>14</sup>, "Got Feedback?".

<sup>12</sup> (<http://www.stateregulatoryregistry.org>)

<sup>13</sup> Expenses related to the development of NMLS are capitalized and amortized over a 7-year period. This \$8.3 million fixed asset is net of depreciation.

<sup>14</sup> <http://www.stateregulatoryregistry.org/NMLS/AM/Template.cfm?Section=Feedback>

Appendix A

CONFERENCE OF STATE BANK SUPERVISORS  
ORGANIZATION CHART

