

Nevada Legislative Commission Subcommittee

April 22, 2008

CSBS/AARMR Nationwide Mortgage Licensing System (NMLS)



EXHIBIT E-2- MORTGAGE LENDING
Meeting Date: 04-22-08
Document consists of 21 pages.
Entire Exhibit Provided.

Topics of Discussion

- Evolution of the mortgage industry
- Nationwide Mortgage Licensing System
- Legislation

Evolution of the Mortgage Industry

- Savings and loan era — 30 years ago
 - Lend local, finance local
 - Originate, own and service
 - Staff loan officers and appraisers
 - Limited commissions

Evolution of the Mortgage Industry

- Mortgage banker/broker era — Today
 - Lend local, finance global
 - 70+% of loan originations
 - Outsourcing of origination function
 - Commission-based compensation
- Banks, Wall Street and insurance firms
 - Fund, securitize, service & invest in mortgages

Mortgage Loan Originations

(In billions of dollars)

1990	459	2003	3,812
1995	640	2004	2,772
2000	1,139	2005	3,027
2001	2,243	2006	2,726
2002	2,854	2007	2,317 (p)

(Source: Mortgage Bankers Association)

State Regulatory Trends

- New roll for to regulate brokers & lenders
 - 1993 – 18 state mortgage regulators
 - 2008 – 50 state mortgage regulators
- State regulation
 - First company regulation
 - Adding loan officer licensing
 - Lack of uniformity and consistency

State Regulator Framework

- Nontraditional Mortgage Guidance
- Subprime Statement
- MEGS
- MINUTES
- Nationwide Mortgage Licensing System

NMLS Description

- State licensing system
- Similar to other industries
 - Securities
 - Investment advisors
- Custom for mortgage industry

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

NMLS Primary Goals

- **Enhance supervision**
 - Single record
 - Enhanced communication and notifications
- **Streamline the licensing process**
 - Efficiency
 - Standardization
 - Centralize redundant processes
- **Increase consumer protection**
 - Industry accountability, reduced fraud
 - Access to license and sanction data

NMLS Objectives

- Provide uniformity to state regulation
 - License applications
 - Notification requirements
 - Annual renewals and reports
 - Testing and education
 - Multi-state examinations
- Develop comprehensive repository
 - Licensing
 - Supervisory

Where we are today – States

- 7 states launched NMLS on January 2nd
- 18 States to use NMLS in 2008
- 42 agencies in 40 states on Statement of Intent

2008 States

January

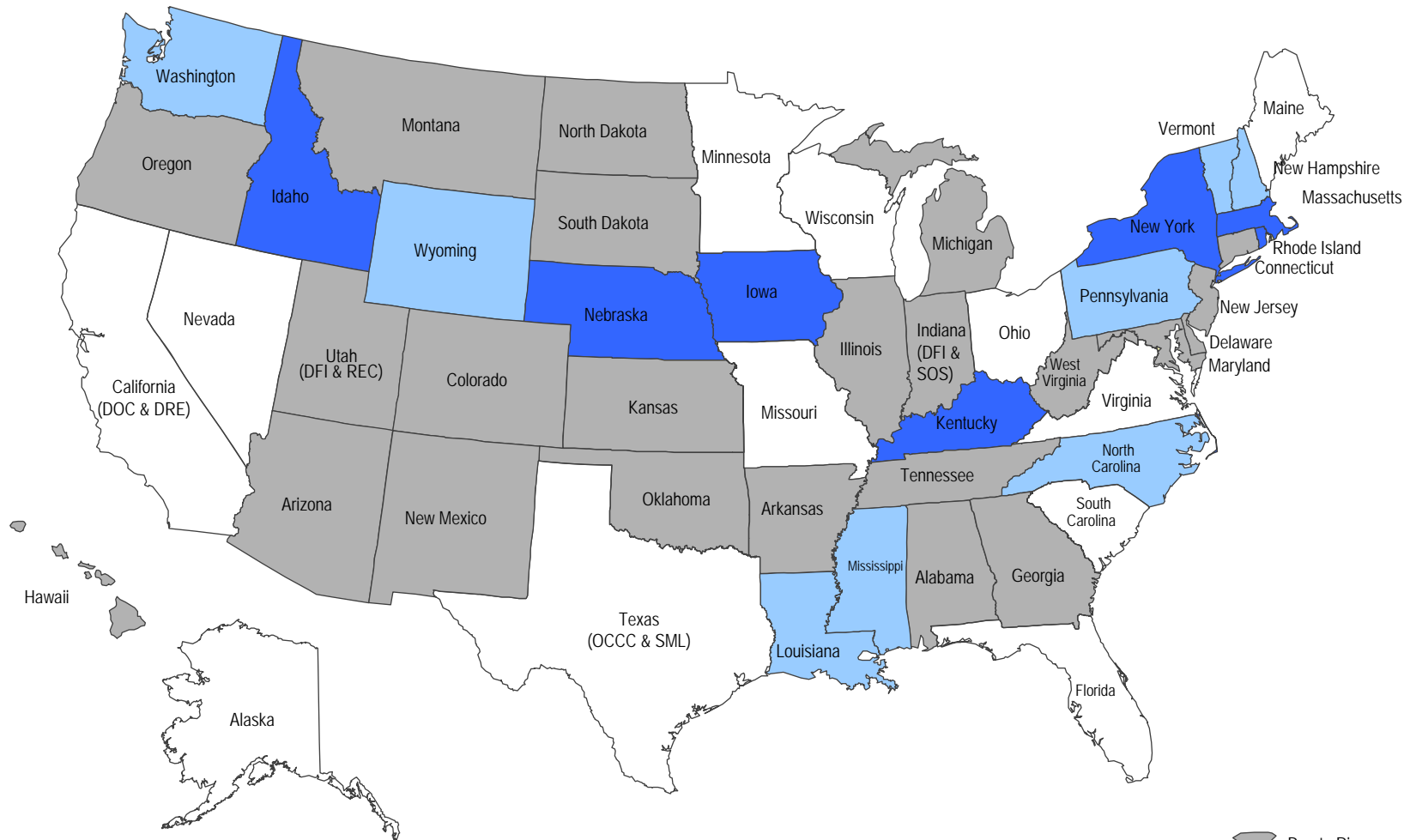
- Idaho
- Iowa
- Kentucky
- Massachusetts
- Nebraska
- New York
- Rhode Island

July - November

- Arkansas
- Indiana
- Louisiana
- Mississippi
- New Hampshire
- North Carolina
- Pennsylvania
- Vermont
- Washington
- Wyoming

CSBS/AARMR Nationwide Mortgage Licensing System

States currently using NMLS
States to join NMLS in 2008
States to join NMLS in 2009+



State Enabling Legislation

- Potential legislative changes
 - Annual renewals
 - Statutory definitions
 - System processing fees
 - Third party to collect fees
- Changes are technical in nature

State Legislation

- Last week's news clips
 - MS requires mortgage licensees to use multi-state licensing system
 - MA loan originator applicants must complete 24 hour education course
 - TN Legislature passes bill to amend residential lending, brokerage and servicing act
 - KY Legislature passes new mortgage lending regulations
 - PA House passes bill to require new mortgage licensing requirements

Source: Buckley Kolar LLP

Federal Legislation

- H.R. 3915 - Rep. Frank, Miller, & Watt.
 - Passed house November 15th 291-127
 - Establishes a nationwide licensing system for loan originators
 - Establishes a federal duty of care, prohibits steering, and mandates licensing or registration of broker and lender or bank loan officers
 - Sets a minimum standard mandating all mortgages underwritten with a reasonable ability to repay
 - Attaches limited liability to secondary market securitizers who sell home mortgage loans outside specific standards
 - Requires servicers to establish escrow accounts

Federal Legislation

- S. 2595 - Feinstein/Martinez
 - Modeled after Title I of H.R.3915
 - Establishes a nationwide licensing system for loan originators
 - State brokers and lenders
 - Insured-depositories (banks, thrifts, CU)
 - Criminal checks for loan originators
 - Minimum license standards
 - No felony and license revocations
 - Financial responsibility
 - Pre-license testing and educations
 - Continuing educations
 - License renewals

Federal Legislation

- Licensing of all loan officers
- Registration of bank loan officers
- Minimum testing and education standards
- Criminal background check on professionals
- Three systems
 - NMLS
 - Federal banking regulators
 - HUD (non-compliant states)

Treasury Proposal

- Recommendations – short/intermediate/long-term
 - Minimum standards for mortgage participants
 - Phases out thrift charter/OTS and CFTC
 - Direct federal supervision of state-chartered banks
 - All bank exam responsibility with Fed or FDIC
 - Federal charter for insurance
 - Creates several new federal agencies (FIDI, FII, FFSP, PFRA, CBRA, FIGC)

State Regulatory Registry

a CSBS company

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