



CSBS/AARMR Nationwide Mortgage Licensing System

Improving Supervision of the Mortgage Industry through Collaboration and Technology

In order to protect their citizens and bring greater accountability and transparency to the mortgage industry, state mortgage regulators have been working together since 2004 to develop the Nationwide Mortgage Licensing System (“the System” or “NMLS”). The System will increase and centralize information available to state regulators, the mortgage industry and the general public about the professionals and companies that originate home mortgages. More than 70 percent of mortgage loans are originated by state-licensed lenders and brokers, and supervision of mortgage industry begins at the state level. In 2006, state mortgage regulators took more than 3,500 enforcement actions against mortgage companies and professionals. The rapid evolution of the mortgage industry and the increased importance of protecting consumers and neighborhoods are signs that states’ historic role demands new tools and authorities.

Building a Modern System of Oversight for the Mortgage Industry

Through Conference of State Bank Supervisors (CSBS) and American Association of Residential Mortgage Regulators (AARMR), state banking and mortgage regulators came together to create a new regulatory framework for the nation’s residential mortgage lending industry, the foundation of which is NMLS. NMLS launched on January 2, 2008 with the goal to:

- Improve the efficiency and effectiveness of state supervision of the mortgage industry;
- Enhance consumer protection;
- Fight mortgage fraud and predatory lending that costs consumers and the industry hundreds of millions of dollars each year;
- Increase accountability among mortgage industry professionals; and
- Unify and streamline state license processes for mortgage lenders and brokers.

The launch of NMLS is just one part of a multi-faceted plan being implemented by CSBS and AARMR to improve regulation and bring about greater uniformity across state lines in mortgage supervision. These efforts include uniform license applications, coordinated supervision, improved regulatory practices and consistent standards for testing and training for mortgage originators. To accomplish this, many states have changed or are in the process of changing their laws and regulations.

Through NMLS, licensed mortgage lenders, bankers, broker companies and loan officers in participating states are able to complete a *single* uniform form electronically (regardless of the number of states they are licensed in). This information is housed in a centralized repository available to state mortgage regulators. Licensees are able to access their own record over a secure website to update, amend and renew their licenses, or apply for new licenses.

Increasing Transparency and Accountability in the Mortgage Industry

As mortgage companies, owners or executive officers, branch and loan officers complete records for themselves and submit them to their regulators, NMLS will permanently assign that record a unique identifying number. This allows state regulators to definitively track companies and professionals across states and over time.

Additionally, consumers and the industry will soon be able to check on the license status and history of the companies and professionals with which they wish to do business in order to make a more informed decision.

Contact

If you would like more information about the nationwide licensing system, please contact Tim Doyle at (202) 728-5728 or tim.doyle@csbs.org or Bill Matthews at (202) 728-5711 or bill.matthews@csbs.org

The Status of the Nationwide Mortgage Licensing System

As of January 2008, 42 state agencies representing mortgage regulators in 40 states have signed the statement of intent indicating their commitment to participate in the Nationwide Mortgage Licensing System. Eventually, CSBS expects all 50 states will transition onto the System. More than 500,000 company and professional licensees are projected to be registered through NMLS. The System began operations on January 2, 2008 with 7 states. It is expected that an additional 11 state agencies will begin using the System in July 2008 and 4-6 state agencies will start to use NMLS on a quarterly basis in 2009. Each state will individually announce its participation date and communicate with licensees in advance of its participation in the System.

In 2004, CSBS and AARMR formed the Residential Mortgage Regulator Taskforce (RMRT) that has met monthly to create uniform state license applications and discuss functionality and regulatory matters related to the development of the System.

In 2006, a contract was signed with Financial Industry Regulatory Authority (FINRA), formerly known as National Association of Securities Dealers (NASD), to build the System. FINRA has tremendous experience in developing and operating nationwide state licensing and database repositories for the securities and investment advisory industries and has an impeccable record of managing and protecting information.

In September 2006, CSBS formed State Regulatory Registry LLC (SRR) to own and operate the System. SRR is governed by a Board of Managers comprised of five state mortgage regulators that are CSBS and AARMR members. In March 2007, the SRR Board of Managers authorized the formation of the Mortgage Advisory Council comprised of representatives from mortgage companies and trade associations. The purpose of the council is to advise and assist the SRR Board of Managers in appropriate areas of SRR's mortgage-related activities.

Raising Standards and Garnering Efficiencies

NMLS is one part of states' collaborative efforts in building a new regulatory framework for the mortgage industry. Through NMLS, states are raising and standardizing licensing requirements. In creating uniform licensing forms, states have consolidated their requirements – accepting higher reporting standards incorporated into the forms and eliminating unnecessary requirements. Additionally, states are increasingly expanding their authority to conduct criminal background checks on their licensees.

In the Fall of 2006, SRR announced an initiative to improve and standardize state educational and testing requirements. The initiative, named the Mortgage Industry Nationwide Uniform Testing and Education System (MINUTES), is complementary to NMLS and will increase standardization and improve compliance.

More information about NMLS is available at <http://www.stateregulatoryregistry.org/NMLS>.

#

¹Conference of State Bank Supervisors is the national 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 the departments with performance evaluation and accreditation programs and supervisory education/training programs for state banking department personnel.

American Association of Residential Mortgage Regulators 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.