



2014

Annual Report



STATE REGULATORY REGISTRY LLC

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LETTER FROM THE SRR BOARD OF MANAGERS



STATE REGULATORY REGISTRY LLC

February 2014

We are pleased to present the seventh annual report of State Regulatory Registry LLC (SRR) and the Nationwide Multistate Licensing System and Registry (NMLS® or the System).

NMLS initially began in January 2008 as a voluntary state licensing system, but later that year was codified into federal law under the SAFE Act. The SAFE Act expanded NMLS to include registration of depository mortgage loan officers (MLOs), state licensing of all other MLOs and professional standards for MLOs. In 2012, NMLS expanded to include state licensing of additional non-depository financial services industries.

SRR is a subsidiary of the Conference of State Bank Supervisors (CSBS). Through NMLS, SRR supports the strategic goals of CSBS' members by assisting state agencies in consumer protection and their supervision of the non-depository financial services industries by providing technology resources and information on a nationwide basis. Over the years, SRR has developed and refined tools within NMLS for state agency use to better understand and utilize state and other information, including licensing, call reports, call center and money transmitter authorized agent data.

In 2014, SRR focused on continuing to enhance and expand the use of NMLS and providing useful information from NMLS to consumers, industry, and state regulatory users.

NMLS development efforts during the year were a mixture of specific deliverables for industry and regulators, as well as long-term work on enhancements that will be implemented in 2015 and 2016. As an example, we received positive feedback from industry on the new NMLS dashboard functionality, and are looking forward to deploying surety bond and exam management functionality for industry and state agencies, respectively, over the next few years.

In 2012, NMLS began accepting new license types in three non-depository financial services industries: money services businesses, debt and consumer finance. At the end of 2014, 34 state agencies licensing 143 license types were using NMLS for the three expansion industries. In total, 61 state agencies manage 538 state license authorities through NMLS. In addition, 20 state agencies were using the Uniform Authorized Agent Report to collect quarterly data from licensed money transmitters on authorized agents with whom they conduct business. SRR worked closely with AARMR, MTRA, NACCA, and NACARA¹ to develop policy and functionality related to expansion issues and functionality requirements.

The information collected in NMLS since it launched in 2008 has expanded in scope and improved in quality. It has been a priority to make this information available to appropriate entities in a beneficial format. NMLS quarterly reports were expanded to include the Mortgage Call Report and money transmitter Uniform Authorized Agent Report aggregate data. The quarterly reports and NMLS Consumer AccessSM are made available to consumers, industry, and state and federal agencies.

In 2014, a suite of NMLS analytic tools were debuted to the Multistate Mortgage Committee (MMC) and individual state agencies that included Mortgage Call Report and annual license renewal data. We continue to look for opportunities to expand the data available to state agencies for use within these analytic tools. SRR also entered into an NMLS information sharing agreement with the Federal Housing Agency and will seek similar agreements with other federal mortgage regulators.

Resources for NMLS users, such as training and the call center, played an important role with industry and states that transitioned on new expansion industry license types, new functionality, and renewals. Significant work is being

¹ American Association of Residential Mortgage Regulators, Money Transmitters Regulatory Association, National Association of Consumer Credit Administrators, and North American Collection Agency Regulatory Association.

done to expand and improve training and documentation for NMLS users and is scheduled to roll out in 2015, such as eLearning courses and System help guides.

Annual license and registration renewals during November and December were improved over the prior year in terms of the timeliness of industry requests and state agency approvals. For example, 60 percent of state MLOs requested renewal by December 1st, up from 53 percent the prior year. Eighty-nine percent of state MLO renewal requests were approved by January 1st, up from 77 percent the prior year. The vast majority of registrations and licenses that are eligible for renewal (over 700,000) are held by individual state and federal mortgage loan originators.

The adoption and use of the Uniform State Test by state agencies continues to be robust. A total of 46 agencies have formally adopted the new test, and nearly 40,000 licensees enrolled to take the Stand-alone UST in the 12 months it was available.

SRR Board members and staff were pleased with the opportunity to meet with industry and agency users at the NMLS annual conference in Miami and annual meetings of AARMR, MTRA, NACARA and NACCA. The NMLS Ombudsman held two public meetings with industry at the NMLS and AARMR conferences, and spoke on panels at MTRA, NACARA, NACCA and several industry conferences.

We believe that the broad use of NMLS by regulatory agencies enhances communications and interactions among state and federal regulators as they work to enhance supervision, share best regulatory practices, and protect consumers.

We greatly appreciate the resources provided by regulators and industry in NMLS operations and enhancements. We would like to thank the numerous working groups and committees that made this possible, including the NMLS Ombudsman, NMLS Policy Committee, Mortgage Testing and Education Board, SRR Lawyers Committee, and Industry Advisory Council.

Sincerely,

The Board of Managers

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2014 HIGHLIGHTS

1. **Uniform State Test.**

The National Test with Uniform State Content was adopted by an additional seven state agencies during 2014, bringing the total number of adopting agencies to 46. MLOs seeking licensure in those jurisdictions are no longer required to take a second, state-specific test.

2. **Expansion industries.**

Ten additional state agencies began using NMLS to license a wide range of non-depository financial services industries, resulting in 34 state agencies managing 143 non-mortgage license types in the money services business, debt and consumer finance industries. Also by year-end, 20 states were using the Uniform Authorized Agent Reporting functionality to manage and report all money transmitter agents.

3. **System Enhancements.**

Major functionality was added in NMLS, including: company and individual dashboards for state licensees that provide a more efficient way to view and manage license issues and deadlines; a streamlined test enrollment process; improvements in renewal process and data download capability for state regulators; usability improvements to the Mortgage Call Report and ability to report branch managers by state on the licensing forms; a data analysis platform for state regulators; and testing and education investigation tracking. Also during the year, major infrastructure was developed for upcoming new functionality including electronic surety bonds, individual document upload, and an examination management tool.

4. **Information Sharing.**

SRR entered into a memorandum of understanding with the Federal Housing Administration (FHA) governing the sharing of information in NMLS with FHA. The only NMLS information being shared with FHA is also publically available to individual consumers through NMLS Consumer Access. FHA agreed to protect against the unauthorized access, use or distribution of the information accessed by FHA and to notify SRR immediately if any such unauthorized activity occurs.

5. **Testing and Education.**

The administration of more than 87,000 MLO test components, bringing the total administered since July 2009 to over 872,000. SRR also supervised 127 approved course providers who delivered almost 1.9 million hours of education through 1,300 NMLS-approved courses.

6. **NMLS Annual Conference.**

The sixth NMLS Annual Conference and Training had an attendance of over 540, including regulators from 57 state agencies. The agenda included sessions relevant to all users on NMLS as well as special sessions relevant to the mortgage, money services business, debt and consumer finance industries.

7. **NMLS Call Center.**

The Client Relationship Management System was implemented at the call center, resulting in a wide range of available metrics that can lead to early identification of emerging issues and needed functionality.

OVERVIEW OF NMLS

At the end of 2014, NMLS was the system of record for 61 state agencies, managing a total of 538 different license authorities covering a broad range of non-depository financial services. This is up from 479 at the end of 2013. NMLS manages 279 company license types, 177 branch license types, and 82 individual license types.

As the system of record for state financial services regulatory agencies, NMLS is able to track the number of unique companies and individuals operating in the state system, as well as the number of licenses these companies and individuals hold in each state. For example, a company licensed in three states would count as one unique entity holding three licenses (Figure 1).

Who is in NMLS?

State Licensed	2013		2014	
	Entities	Licenses	Entities	Licenses
Companies	18,993	39,903	19,882	44,020
Branches	23,467	43,066	25,583	49,904
MLOs	130,311	331,351	131,725	359,992

Federally Registered	2013	2014
Institutions	10,848	10,566
MLOs	404,239	398,492

FIGURE 1. TOTAL LICENSES AND ENTITIES IN NMLS

During 2014, two additional state agencies, the Texas Department of Banking and the Guam Department of Revenue and Taxation, joined NMLS and 13 state agencies either began using NMLS for new license types or added another industry type to the System.

In addition to being a system of state licensing for financial services, NMLS operates a registry (known as “NMLS Federal Registry” or “Registry”) of federally regulated depository institutions and subsidiaries and mortgage loan originators who are required by federal rule to register in NMLS prior to originating mortgages. These institutions and individuals are not required to separately register in each state where they may do business, thus there is no direct comparison with the state-licensed entities’ and individuals’ total number of licenses. Over the course of 2014, the number of institutions and mortgage loan originators registered in NMLS essentially remained flat.

The combination of the state licenses managed in NMLS and the NMLS Federal Registry makes the System a complete repository of companies, both depository and non-depository, and individuals authorized in the United States to originate mortgages.² Since state agencies began expanding their use of NMLS to manage other financial services beyond mortgage, the System is beginning to offer a national perspective on these other industries. The following sections highlight the industry-specific information available in NMLS.

STATE MORTGAGE LICENSING

In 2014, all states, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands participated in NMLS to license mortgage companies, branches, and MLOs.² This full representation of the state-regulated mortgage industry in a single system makes it possible for state regulators and industry to have the information needed to identify business and licensing activities and trends. As noted in the NMLS Resources section, SRR publishes quarterly reports that compile data on state-licensed companies, branches, and MLOs.

Figure 2 compares the growth in entities to the number of licenses issued throughout the year. While the total number of companies with mortgage licenses decreased by one percent during 2014, the number of state mortgage licenses held by all companies went up by four percent. With regard to MLOs in the System, the number of individuals was relatively unchanged (1.1 percent increase), while licenses held

Companies and Licenses

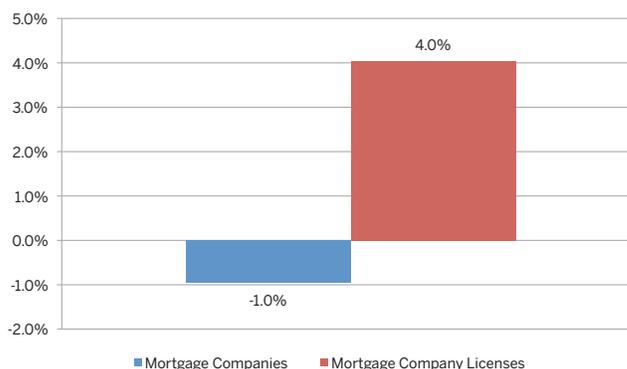


FIGURE 2. ANNUAL GROWTH—COMPANIES VS. LICENSES

² Two state agencies currently do not manage mortgage company licenses in NMLS: Texas Office of Consumer Credit Commissioner and Utah Department of Financial Institutions.

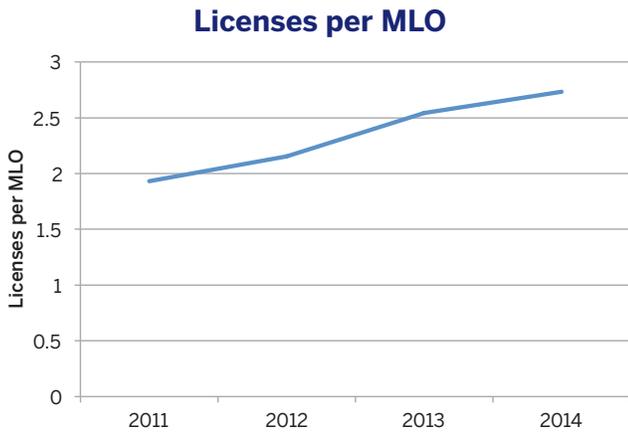


FIGURE 3. ANNUAL GROWTH—AVERAGE NUMBER OF LICENSES PER MLO

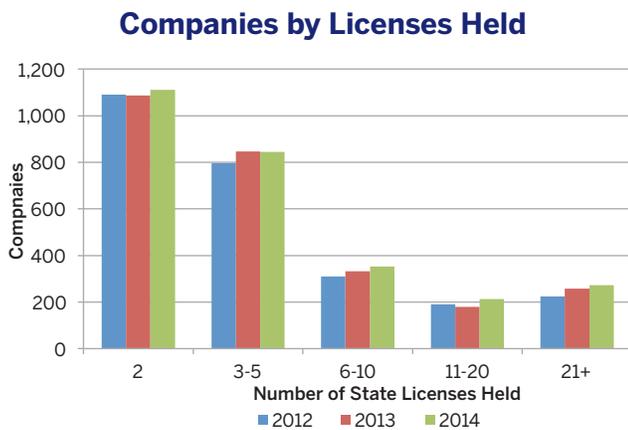


FIGURE 4. ANNUAL GROWTH—COMPANIES BY LICENSES HELD

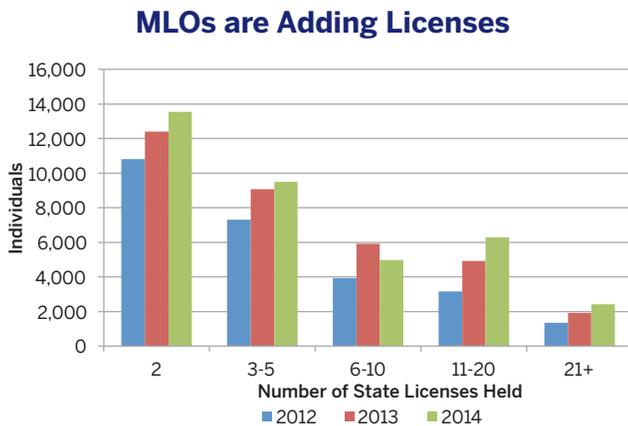


FIGURE 5. ANNUAL GROWTH—INDIVIDUALS BY LICENSES HELD

by MLOs grew 8.6 percent. The average number of licenses held per MLO has now grown to 2.73 (Figure 3).

Similar to last year, the fastest growing segment in NMLS is the population of companies and individuals licensed in over ten states (Figures 4 and 5). The number of companies operating in more than 10 states grew 11 percent, and MLOs licensed in more than ten states grew 27 percent. MLOs holding only one state license declined 1 percent.

MLO numbers increased in every state except Connecticut which saw a decrease of four percent. Figure 6 depicts the percentage of net growth in MLO licenses around the country. Mississippi, Montana, and New Mexico each saw MLO licenses increase by over 20 percent.

FEDERAL MORTGAGE REGISTRATION

Over the course of 2014, the number of actively registered MLOs declined 1.4 percent to 398,492 individuals employed by 10,566 institutions. Approximately 94 percent of those individual registrants required to renew did so successfully prior to the end of 2014. Although the number of actively registered MLOs slightly decreased, Figures 7 and 8 illustrate that the number of registered MLOs and institutions remains relatively constant.

NMLS also publishes quarterly reports that detail the number of federal registrants, MLO locations, and a breakdown of NMLS-registered institutions by specific federal regulator (see NMLS Resources section).

MLO Licenses per State

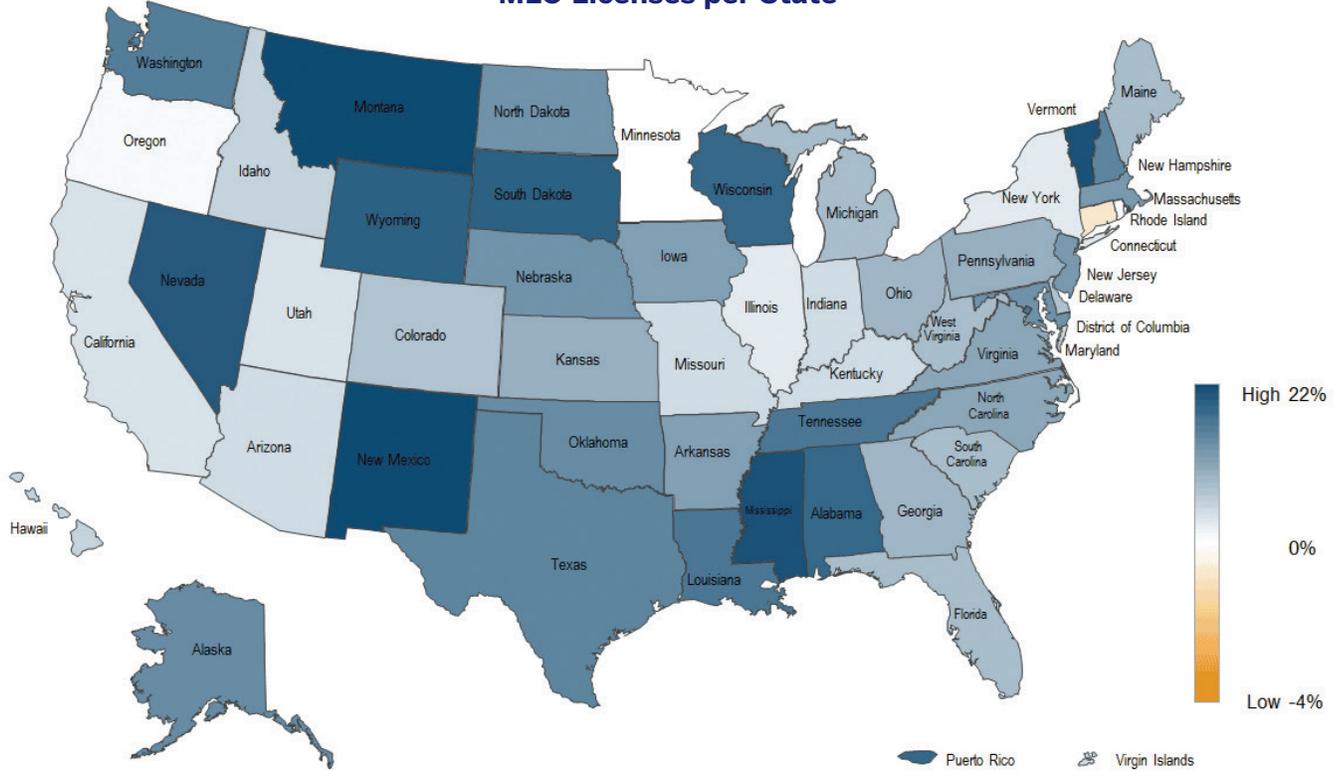


FIGURE 6. ANNUAL GROWTH—MLO LICENSES PER STATE

Federally Registered MLOs and Institutions

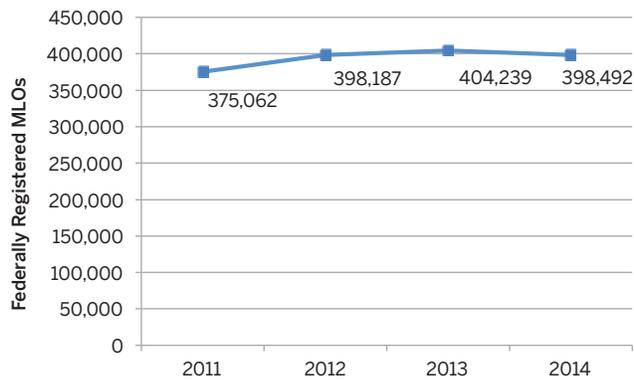


FIGURE 7. ACTIVELY REGISTERED FEDERAL MLOS BY YEAR

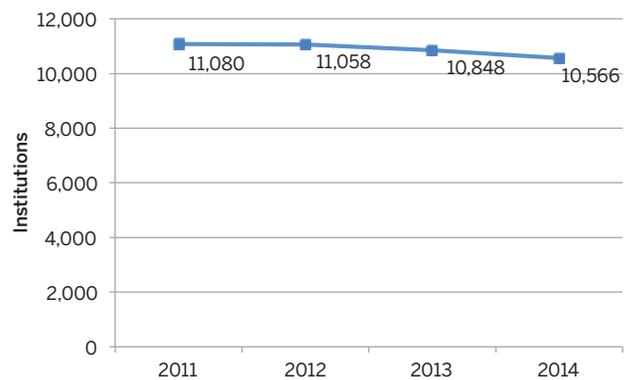


FIGURE 8. ACTIVELY REGISTERED INSTITUTIONS BY YEAR

States Managing MSB Licenses in NMLS

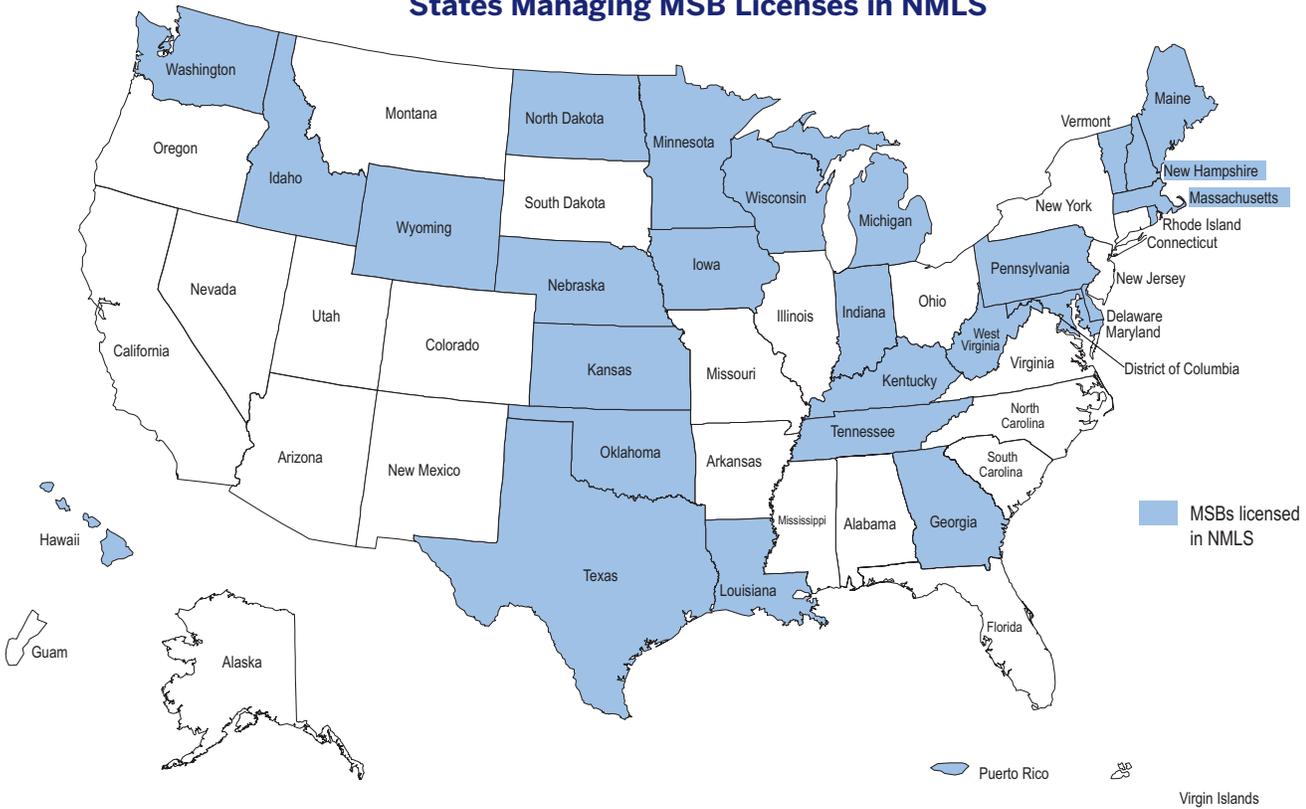


FIGURE 9. STATES MANAGING MSB LICENSE TYPES IN NMLS

Money Transmitters and Uniform Authorized Agent Reporting

While Money Services Businesses include several activities as identified above, of particular interest to state regulators using NMLS are Money Transmitters. By the end of 2014, 28 state agencies managed their money transmitter licenses in NMLS. The NMLS Uniform Authorized Agent Reporting (UAAR) functionality, piloted in the first part of 2014, permits state-licensed money transmitters to upload lists of their authorized agents for reporting to their state regulators. At year-end 2014, 20 state agencies were using the UAAR functionality.

- 232 companies hold a total of 1,405 state money transmitter licenses in NMLS
- 59 percent of the companies are licensed in more than one state
- 53 companies are licensed in more than 10 states
- 132 companies are currently reporting 140,000 Active Authorized Agent relationships in NMLS, and 50 are reporting no agents used
- NMLS contains 97,000 Active Agent locations, with 25,000 used by multiple principals
- Eight companies have uploaded over 5,000 agents

MSB License Numbers by State

State Agency	License Description	Approved Licenses
DC	Check Cashier License	15
DC	Money Transmitter License	59
GA	Seller of Payment Instruments License	38
GA	Money Transmitter License	80
GA	Check Cashier License	706
HI	Money Transmitter License	49
IA	Money Services License	64
ID	Money Transmitters	73
IN-DFI	Money Transmitter License	51
KS	Money Transmitter License	61
KY	Money Transmitter License	72
LA	Sale of Checks and Money Transmitters	76
MA	Check Seller	15
MA	Foreign Transmittal Agency	52
MA	Check Cashier	63
MD	Money Transmitter License	94
ME	Money Transmitter License	27
MI	Money Transmitter License	73
MN	Money Transmitter License	88
ND	Money Transmitter License	65
NE	Money Transmitter License	66
NH	Money Transmitter License	45
OK-DOB	Money Transmission License	53
PA	Money Transmitter	69
PA	Retail Grocery Store Check Cashier License	118
PA	Check Cashier License	309
PR	Money Transmitter License	22
RI	Check Cashier License	22
RI	Sales of Checks	22
RI	Electronic Money Transfers	54
TN	Money Transmitter License	83
TX-DOB	Money Transmitter License	28
VT	Check Cashing and Currency Exchange	5
VT	Money Transmitter	47
WA	Currency Exchange (only)	7
WA	Check Cashier	12
WA	Check Cashier with Small Loan Endorsement	14
WA	Money Transmitter (includes Currency Exchange)	126
WI	Seller of Checks	30
WV	Money Transmitter License	47
WY	Money Transmitter License	47

FIGURE 10. LIST OF MSB LICENSE NUMBERS AND TYPES BY STATE

MONEY SERVICES BUSINESSES (MSB)

Financial services categorized as MSB activities in NMLS include: money transmission, check cashing, issuing or selling travelers checks, issuing or selling drafts, foreign currency dealing and exchange, issuing or selling money orders, bill paying, transporting currency, and issuing or selling prepaid access/stored value products.

As of year-end 2014, 28 state agencies were managing MSB licenses in NMLS (Figure 9). In NMLS, 1,502 companies hold a total of 3,047 approved MSB licenses, with 167 companies licensed in more than one state. During the year, an enhanced functionality, the NMLS Uniform Authorized Agent Reporting (UAAR), was implemented to permit money transmitter MSBs to complete authorized agent reporting directly in the System. Figure 10 provides a breakdown of money transmitters licenses by state.

OTHER INDUSTRIES IN NMLS

State agencies regulate a wide range of financial services and this diversity is reflected in NMLS. As of year-end 2014, 31 state agencies in 28 states were managing one or more license authorities that could be generally categorized under “consumer finance” and others that regulate some aspect of consumer debt, such as debt collection, debt management, and counselling. This additional license management led to an increase in the number of companies participating in NMLS conducting a variety of financial services activities (Figure 11).

As more state agencies opt to manage license authorities on NMLS, SRR expects to be able to provide robust industry specific information on these industries as it is able to do for the mortgage and MSB industries.

Using NMLS

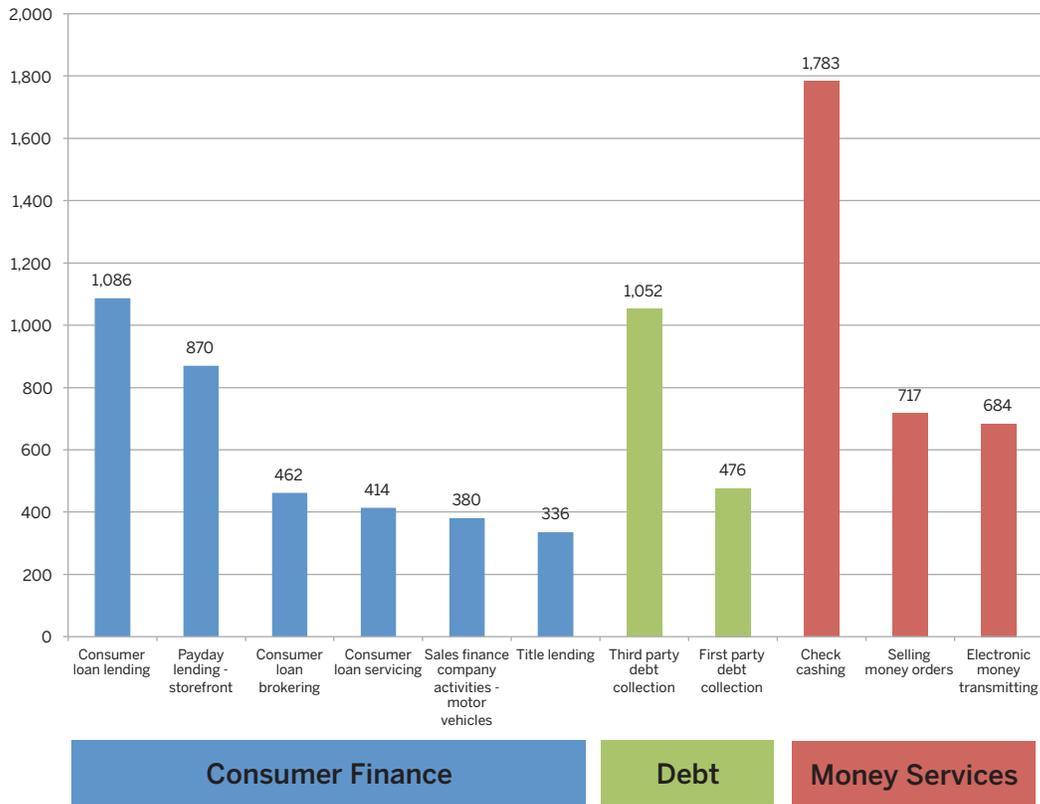


FIGURE 11. EXPANSION INDUSTRIES IN NMLS

NMLS ACTIVITIES

NMLS processes a variety of transactions for System users. NMLS assists state regulators in supervising their licensed entities, enables licensees to apply for and maintain licenses, and allows federally regulated depository institutions and subsidiaries to manage their registered MLOs through one system. The most common transactions performed through NMLS are new applications, amendments, and renewals. An amendment occurs each time a licensee or registrant's record is updated, whereas renewals are submitted annually. NMLS serves as the vehicle for scheduling testing and education and maintaining all state-licensed MLO test and course completion records. The System receives and processes licensee and registrant requests for criminal background checks and credit reports for state licensees. Additionally, NMLS collects state fees from licensed entities and disburses such funds to the state agency. Figure 12 highlights the registration, licensing, and professional standards activity that took place in the System in 2013 and 2014 for licensed or registered companies, institutions, branches, and MLOs.

NMLS Activity at a Glance

State Licensing Activities	2013	2014
New Application Request	146,926	133,204
Renewal Request	324,247	364,213
Change of Sponsorship Request	54,182	56,859
Federal Registration Activities	2013	2014
New Registration Request	88,101	78,338
Renewal Request	379,678	374,492
Change of Employment Request	34,337	37,961
Professional Standards	2013	2014
Credit Report	108,047	109,506
Background Check	247,462	229,540
Test	137,746	102,264
Education Hours	1,883,080	1,768,236

FIGURE 12. LICENSING, REGISTRATION AND PROFESSIONAL STANDARDS ACTIVITY

NMLS RESOURCES

NMLS RESOURCE CENTER

The [NMLS Resource Center](#) website serves as the gateway to NMLS. It provides NMLS users with state licensing and registration information, deadlines, training materials, tools, and tips to assist companies and individuals with their use of NMLS. In addition to being the best initial source for finding state licensing and registration information, the NMLS Resource Center is continually updated with System news and events items, as well as state agency news that affect licensees. SRR also maintains the [Federal Registry Resource Center](#) to serve a similar purpose for federally regulated depository institutions and federally registered

individuals by providing updated information regarding the federal registration process and System news.

In 2014, the two resource centers (Figure 13) had over 2.3 million unique visitors who viewed over 13.6 million pages.

NMLS CALL CENTER

The [NMLS call center](#) provides industry users a live support system available to answer questions and provide real-time help navigating the System. Call center representatives are trained in all aspects of System use and policy. Also, teams are assigned to provide more specialized support in specific areas such as questions on the Mortgage Call Reports or Federal Registry issues. The call center responds directly to queries regarding any System issues, and directs all specific regulatory, registration, or licensing questions to the appropriate state or federal agency. The call center staff is available to NMLS users Monday through Friday from 9:00 a.m. to 9:00 p.m. ET.



FIGURE 13. NMLS RESOURCE CENTER WEBSITES

Call Volume by NMLS User Type

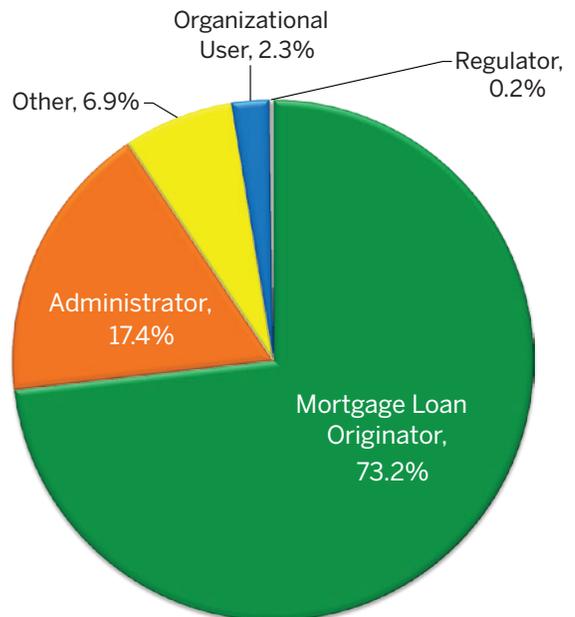


FIGURE 14. NMLS CALL CENTER MONTHLY INBOUND CALL VOLUME BY USER TYPE

NMLS Call Center Monthly Inbound Call Volume

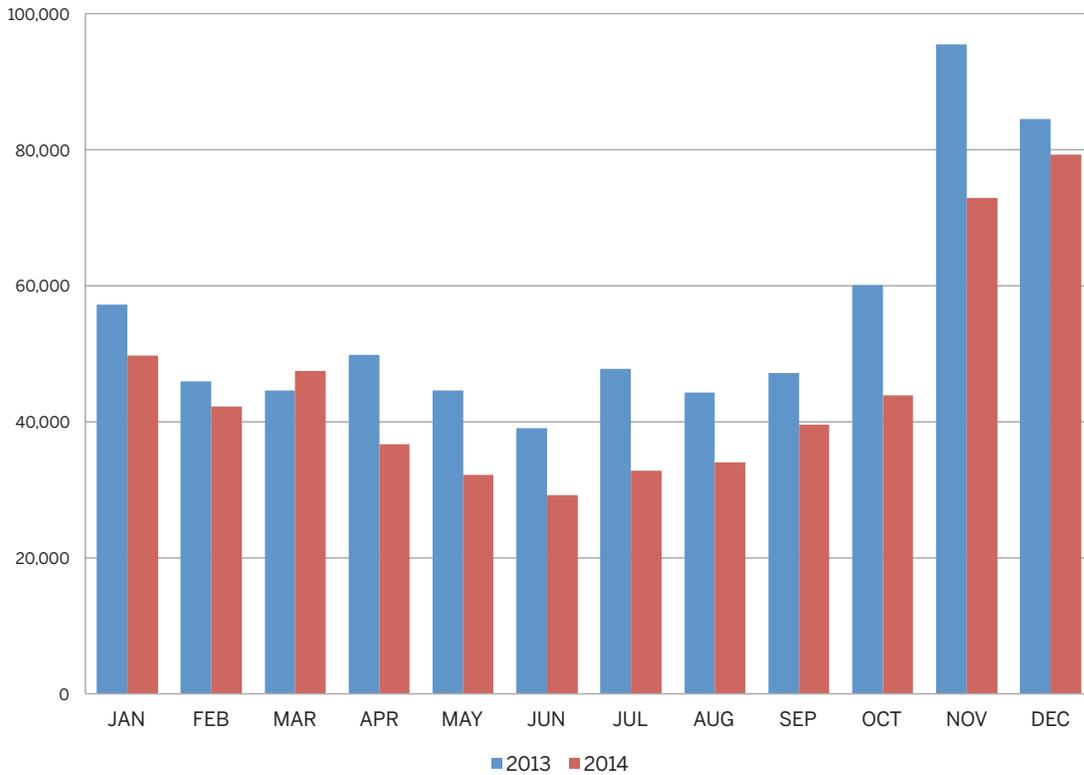


FIGURE 15. NMLS CALL CENTER MONTHLY INBOUND CALL VOLUME BY YEAR

2014 represents the first full year the call center and SRR staff have utilized a Client Relationship Management (CRM) system. Call center agents and SRR staff enter information on each call into the CRM system. With this information, SRR is able to generate reports to understand user behavior, identify potential NMLS enhancements, improve call volume forecasting, gather feedback on new policy, identify adoption of new processes, and a wide variety of other key issues. All calls are recorded, allowing SRR to monitor quality and troubleshoot if issues arise.

Starting in August 2014, the call center initiated an effort to provide a follow-up email to callers with specific self-help solutions. These solutions are typically links to quick guides and checklists housed on the NMLS Resource Center and provide guidance to the user that should aid in continuing the trend towards lower call volumes.

The staffing levels for the call center are closely monitored to ensure adequate coverage and can be adjusted to meet changing demands. The call center is funded through NMLS processing fees and operates at no additional charge to System users.

NMLS Call Center 2014 Activity at a Glance

Overall call volume at the NMLS call center decreased 18 percent from 2013 to 2014 with a total of 540,000 calls.

Below are additional statistics from 2014:

Non-renewal period – January through October

- The call center responded to an average of 2,250 calls per day
- 58 percent of calls were related to state licensing topics
- 19 percent of calls were related to federal registry topics
- 23 percent were related to entitlement issues, such as password reset and account unlock requests
- Speed of answer averaged at 19 seconds

Annual renewal period – November through December

- The call volume increased to an average of 3,950 calls
- 94 percent increase over non-renewal period
- Speed of answer averaged at 2 minutes 21 seconds
- The highest volume day of the year is the first day of the renewal period with 8,112 calls
- The number of call center agents increased from 62 agents to 115 agents to accommodate the elevated call volume during this period

REGULATORY USER GROUP

The Regulatory User Group (RUG) provides customer support to all state and federal regulators using NMLS. The group also provides support on more complex calls made to the NMLS call center. About 20 percent of the RUG Team's case workload comes directly from regulators. Regulator requests are typically related to changes to license types, ad-hoc report and data download requests, entitlement issues, and other general inquiries. The remaining 80 percent of the RUG Team's case workload is generated by industry users whose issues are escalated through the NMLS call center. Industry requests are generally related to system changes and corrections such as the addition or deletion of account administrators or the update or correction of individual email addresses, names, and other personal information contained within NMLS.

The RUG Team is available to regulators Monday through Friday from 8:30 a.m. to 5:00 p.m. ET. The Team processed a total of 11,000 cases in 2014. The RUG Team also utilizes the CRM system to capture all direct contacts for case management and analysis purposes.

NMLS TRAINING

In 2014, the NMLS training team delivered instruction to a wide variety of audiences on numerous topics. The year saw significant growth in the training provided for both new

and experienced NMLS users. In-person sessions, webinars, user guides, and how-to videos were made available to state regulators, state-licensed and federally registered individuals, trade groups, and vendors. Webinar programs were enhanced to include use of the presenter webcam, chat, and software simulations to provide hands-on, mock experience with NMLS functionality.

During the year there was an increased focus on training the money services business, debt and consumer finance industries. Individualized training sessions were provided to industry each time a new license type transitioned on to NMLS. Training also focused on providing recurring new user training for industry and regulator users, demonstrations of System enhancements before and after each release of new functionality, and frequent training sessions for call center representatives.

Training topic highlights included: industry dashboard, uniform Authorized Agent Reporting (UAAR), advance change notice (ACN), mortgage call report (MCR), test enrollment enhancements, regulator log, and license item dashboard. In 2014, approximately 6,500 individuals attended a total of 106 training sessions with an average user survey response of 4.3/5.0.

In 2015, NMLS training will expand the focus on providing interactive learning experiences through webinars and eLearning applications, which will enable users to receive

hands-on experience in simulated environments. Information about current and future training sessions can be found on the [NMLS Resource Center](#) and the [Federal Registry Resource Center](#).

REPORTS

SRR publishes several reports analyzing the entities and activity trends found in NMLS. The NMLS Mortgage Industry Report, published quarterly and annually, compiles NMLS data on all entities and individuals licensed or registered in NMLS to conduct mortgage activities. The report includes numerous charts and graphs detailing information about the business activities of licensed companies, locations and numbers of licenses obtained, and a state-by-state breakdown of license and registration application activity, including the number of new license applications, approvals, denials, revocations, and suspensions. The report also details information collected from licensees in the MCRs.

In 2014, SRR issued two new reports. The first was a quarterly fact sheet on the Money Services Business licenses being managed in NMLS. The second was a data set, refreshed quarterly, which contains information on licensing activity (new applications, surrenders, etc.) and mortgage origination activity derived from the submitted MCRs. Data is aggregated by state and quarter. These reports are made available on the [NMLS Resource Center Reports](#) page.

DATA ANALYTICS

In March 2014, SRR launched its first analytics application, MCR Analytics, to help state regulators review and analyze MCR data submitted to their agency. Subsequent versions of the tool were released during the year which added: servicer analysis, expanded data quality flags, and reverse lender analysis. A second application was launched in November to analyze the annual license renewal process. This tool allows state agency managers to monitor their state agency's progress in receiving and processing renewal requests, including comparisons between the current year and prior year.

NMLS MORTGAGE CALL REPORT (MCR)

Since the launch of the MCR in 2011, state regulators have primarily focused on MCR reporting compliance. Compliance has steadily improved and the final MCR submission of 2014 showed a 17 percent decrease in the number of companies being notified concerning MCR compliance, compared to one year ago. However, nearly 4,000 companies received an MCR compliance notification, indicating that timely and accurate submission of the MCR remains an issue. As compliance with the MCR has increased, state regulators shifted their focus to data quality and risk as-

essment derived from MCR data. During this review, state regulators identified areas in which companies made frequent data entry errors or the information reported differed significantly from the intent of the data collection. Some system validations were added to address the data entry errors and state regulators discussed the intent of certain areas of the MCR and provided guidance on these areas.

In order to address some of the previously identified reporting errors on the MCR and help streamline data reporting, state regulators worked with industry representatives to review data reporting requirements of the MCR and how best to align these with state and federal reporting requirements in 2014. After several months of review and discussion, state regulators proposed changes to the MCR that collected enhanced servicing and qualified mortgage information from all companies, provided clarified guidance on the definition of application and allowed companies to report on changes in application amount during the reporting period. Changes to the application amount and guidance on application will be formally adopted in 2016.

State regulators have also identified a decrease in the number of companies completing the Expanded MCR which contains much more robust requirements than the Standard MCR. In order to continue state adoption of the MCR as the sole activity reporting requirement for companies engaged in the mortgage industry, state regulators are considering alternative qualifying characteristics of companies in order to obtain adequate activity information on their supervised entities. Figure 16 shows the number of companies filing Expanded versus Standard call reports.

Mortgage Call Report Activity

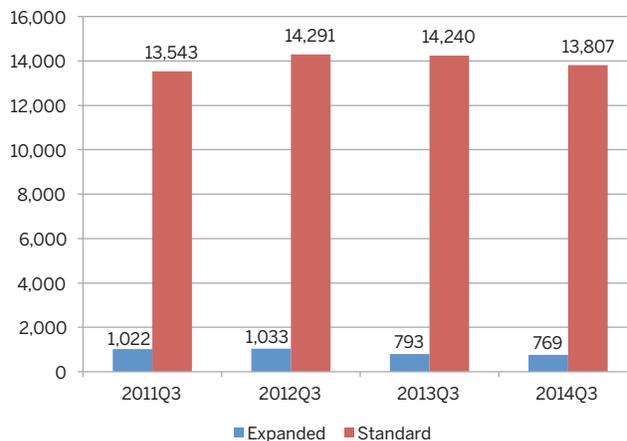


FIGURE 16. NUMBER OF COMPANIES FILING STANDARD AND EXPANDED CALL REPORTS IN Q3 BY YEAR

NMLS CONSUMER ACCESS

[NMLS Consumer Access](#) is a fully searchable website that allows consumers to view information concerning companies, branches, and individuals that are state-licensed or federally registered in NMLS. This free service is an invaluable consumer resource containing information on virtually all MLOs operating in the United States as well as any state-licensed or federally registered companies in NMLS. In addition to identifying information for each individual or entity, detailed information on all licenses or registrations held, as well as any applicable regulatory actions taken, is included. In 2014, 2.1 million visitors viewed almost 72 million pages on the NMLS Consumer Access website. SRR launched NMLS Consumer Access in 2010.

During 2015, SRR is undertaking an initiative to review the NMLS Consumer Access website with state regulators, industry, and other users with the goal of making enhancements to the site in 2016.

NMLS B2B ACCESS

SRR offers a subset of the public data available on NMLS Consumer Access in a business-to-business (B2B) data format through a subscription service known as [NMLS B2B Access](#). In 2014, both the NMLS Consumer Access website and the B2B service were expanded to include branch manager information and license status history. This latter enhancement is of particular benefit for companies in the secondary mortgage market who need to perform license validations corresponding to the time of the loan's origination.

NMLS ANNUAL CONFERENCE AND TRAINING

The sixth NMLS Annual Conference and Training was held February 18 – 21, 2014, in Miami, Florida, with over 540 registrants in attendance (Figure 17). As in the past year, the SRR Board of Managers approved a scholarship program to allow each state agency on NMLS to send at least one representative to this training conference. Agencies that have expanded their use of NMLS to license non-mortgage industries (or plan to do so) were given two scholarships so that regulators focused on the other industries could also attend. State regulators from 58 state agencies joined licensees from a range of industries, education providers, law firms, and consultants to engage in a variety of topics concerning NMLS and state and federal regulation. The 2014 NMLS Annual Conference was particularly noteworthy because, for the first time, the agenda was expanded beyond mortgage industry issues to include sessions relevant to the money services business, debt collection and debt settlement industries. In addition, sessions included presentations on CFPB rule changes, MCRs, testing and education, Federal Registry System use, numerous new and upcoming System enhancements, and many more topics.

The seventh [NMLS Annual Conference and Training](#) is scheduled for February 16 – 19, 2015, in San Diego, California.



FIGURE 17. MEET THE REGULATOR SESSION AT THE NMLS ANNUAL CONFERENCE

NMLS POLICY

NMLS POLICY COMMITTEE (NMLSPC)³

At the center of the NMLS policy making process is the NMLS Policy Committee. This 11 person committee of state financial service regulator users of NMLS was created by the SRR Board of Managers to make policy decisions for NMLS functionality and operations with regards to its impact on meeting state licensing regulations. Decisions are made after considering input from NMLS participating state agencies, licensees and industry.

In 2014, the NMLSPC reviewed a variety of issues affecting NMLS policies and the operations of the System. Highlights of their work include: setting NMLS development priorities; review of public comments on the Mortgage Call Report, pre-licensure education expiration and electronic surety bond tracking in NMLS; clarification and changes to the business activities in NMLS; review of NMLS Consumer Access suppression requests and policy updates; approval of B2B changes; developing policies on the use of an individual's legal name and the NMLS ID; various discussions with state regulators and industry related to issues raised to the NMLS Ombudsman.

A roster of NMLSPC members can be found in Appendix G.

NMLS OMBUDSMAN

The [NMLS Ombudsman](#) provides a resource for System users with the goal of assisting in the resolution of NMLS policy and operational issues. The objective is to foster constructive dialogue between industry users of NMLS and state regulators to mutually work toward the ambition of modern and efficient financial services regulation. The NMLS Ombudsman is available to discuss matters publicly or in a confidential manner and assists with the resolution of these matters by identifying options for resolving the issue and directing the issue to the appropriate SRR personnel or state agency.

The NMLS Ombudsman held two public meetings in 2014 in conjunction with the NMLS Annual Conference and Training in February in Miami, Florida and the AARMR Annual Regulatory Conference in August in Seattle, Washington (Figure 18). During 2014, the Ombudsman also spoke at the MTRA, NACARA, and NACCA annual conferences. A variety of issues were raised during these meetings, including:



FIGURE 18. NMLS OMBUDSMAN MEETING PARTICIPANTS

³ See Appendix A "Organizational Governance" for all more detailed review of the various committees and internal operating structure of SRR.

- Licensed MLO supervision of underwriters
- Branch manager requirements for branch surrenders
- Presentation of information on NMLS Resource Center
- The use and accuracy of state checklists
- Text of system-generated notifications
- Process for approving sponsorships of MLOs
- Amendments and updates to NMLS Consumer Access
- Aligning HMDA and the MCR data requests
- Renewal best practices
- MLO sponsorship best practices

Additionally, the NMLS Ombudsman received 93 emails from individuals around the country seeking assistance. A summary of all public meetings and general issues received outside of meetings, as well as any resolution to these matters, is posted on the NMLS Ombudsman page on the NMLS Resource Center.

NMLS PARTICIPATING STATES COMMITTEE— REGULATOR OPEN FORUM

Regulator Open Forum calls are regularly conducted with all state regulators using NMLS. These calls are designed to provide state agencies and SRR with an opportunity to present and discuss System-related topics with their peers in order to obtain feedback on work processes, supervisory policies, and best practices. The Regulator Open Forum calls allow participating state agencies to develop more uniform practices and policies related to NMLS and also serve as a venue to identify and prioritize proposed System enhancements and changes.

Examples of major topics discussed during 2014 include:

- Annual license renewals and new license reinstatement processing
- Implementation of fee netting functionality to more quickly disburse funds to state agencies
- NMLS Ombudsman feedback from public meetings
- Training sessions and communication plans
- Implementation of the Uniform State Test and Pre-Licensure Education Expiration Policy
- Upcoming surveys and survey results on various NMLS functionalities
- The 2014 Continuing Education Communications Plan and Strategy
- Proposal to implement electronic Surety Bond tracking in NMLS
- Review and discussion of of public comments received

INDUSTRY DEVELOPMENT WORKING GROUP (IDWG)

NMLS consults with the [IDWG](#) to gather input from industry users on a monthly basis. This group provides input into the technical and functional development of NMLS.

During 2014, the IDWG reviewed topics on education provider policy changes, input on the industry dashboard, renewal streamlining, the proposed Examination Management Tool Suite (EMTS), electronic surety bond tracking, MCR changes, and document upload improvements.

A roster of the members of the NMLS Policy Committee and the IDWG can be found in Appendix G.

PUBLIC COMMENT REQUESTS

As determined by the SRR Board of Managers or the NMLS Policy Committee, public comments are issued for significant policy concerns or System functionalities. In 2014, three requests for comment were issued:

Proposed Pre-Licensure Education Expiration Policy

Issued: July 23, 2014

Number of Commenters: 11

Electronic Surety Bond Tracking

Issued: October 1, 2014

Number of Commenters: 6

Proposed Changes to the Mortgage Call Report

Issued: October 1, 2014

Number of Commenters: 35

Active and archived proposals issued for public comment, comments received, and SRR's response to comments are available on the [NMLS Resource Center](#).

NMLS POLICY GUIDEBOOK AND HELP DOCUMENTS

In 2014, SRR continued work to incorporate specific help documents for each page in NMLS. The primary purpose of these documents is to provide users that are active in the System with an easily accessible method to review relevant policy, instructions, and helpful tips. The [NMLS Policy Guidebook](#) was incorporated into these help documents.

NMLS DEVELOPMENT AND NEW ENHANCEMENTS

HIGHLIGHTS OF 2014

All aspects of NMLS development and enhancements are accomplished through the efforts of various working groups, task forces, and committees made up of state regulator and industry experts. A successful release implementation for NMLS depends upon the continued involvement and valuable feedback from these experts. NMLS deployed three major releases (March, July, and October) in 2014. Below are highlights of the 2014 enhancements:

Usability

- **Industry Dashboard.** State-licensed companies and individuals can quickly view summary information related to their records and link to relevant NMLS pages. Figure 19 illustrates the scope of information that a user can now quickly access when entering the System.
- **Renewals.** State regulators can specify a period of two, five, or 15 days for automatic renewal consideration. In addition, regulators can terminate licenses in bulk if the state agency has no reinstatement period or has a shorter reinstatement period than NMLS. Also, Federal Registry renewals automatically transfer if an employee changes employers.
- **Test Enrollment Streamlining and Candidate Agreement.** Users have a more seamless process to open a test enrollment window and schedule a test appointment. The process requires individuals to accept the Candidate Agreement prior to scheduling a test appointment. After a test appointment is scheduled, the date of the test appointment and the city and state of the testing center display in NMLS.
- **Data Download.** Data Download for state agencies is now accessible via a Secure File Transfer Protocol (SFTP) and contact information is stored in the base tables.

Licensing Form Updates

SRR completed its biennial request for comments and response for the Uniform NMLS Licensing Forms and the Mortgage Call Report (MCR) in late 2013 with enhancements implemented in 2014.

- **Uniform NMLS Licensing Form.** Updates include identification of branch managers by state/industry type combinations, changes to Business Activities and Disclosure Questions, and minor text/display updates.
- **Mortgage Call Report.** Usability improvements to the NMLS MCR were deployed in 2014. More substantive changes to the MCR will be deployed in early 2015.

Uniform Authorized Agents

The NMLS Uniform Authorized Agent Reporting (UAAR) process allows state-licensed money services businesses to file a single, uniform report of their authorized agents (also known as authorized delegates) locations through NMLS to all participating state agencies. At the end of 2014, 20 state agencies had adopted use of UAAR functionality.

Testing & Education Supervision

- **Testing and Education Investigation Tracking.** Information on investigations of violations of the Testing and Education Rules of Conduct are now viewable in the System for review by regulators.
- **Invalidating Test Results.** Test results for individuals can be invalidated due to an administrative action or misconduct.

Payment Processing (Fee Netting)

As of July 28, 2014, SRR began disbursing all state agency funds collected through NMLS on the next business day instead of after five business days. This faster disbursement eliminates the potential impediment to a state agency processing an application or amendment until all fees have been received. In the event an entity's payment fails after funds have been disbursed, SRR nets the failed amount from a future disbursement to the state agency. In addition, entities that do not satisfy the failed payment within a reasonable amount of time are restricted from accessing NMLS. New accounting reports support the change in payment processing.

Data Analytics for State Agencies

- **MCR Analytics.** Regulators can access the "Mortgage Call Report Analytics" application on the new data analysis platform created to allow regulators to analyze NMLS data more easily. This application presents an analysis of MCR data to identify potential risks, display aggregated charts and graphs, and help regulators schedule exams.
- **Renewal Dashboard.** An application launched on November 24, 2014, gives state agency managers a high level view of the license renewal process in their agency. The dashboard compares the current year's renewal data to that of the prior year.

The full NMLS development release schedule can be found in Appendix E.

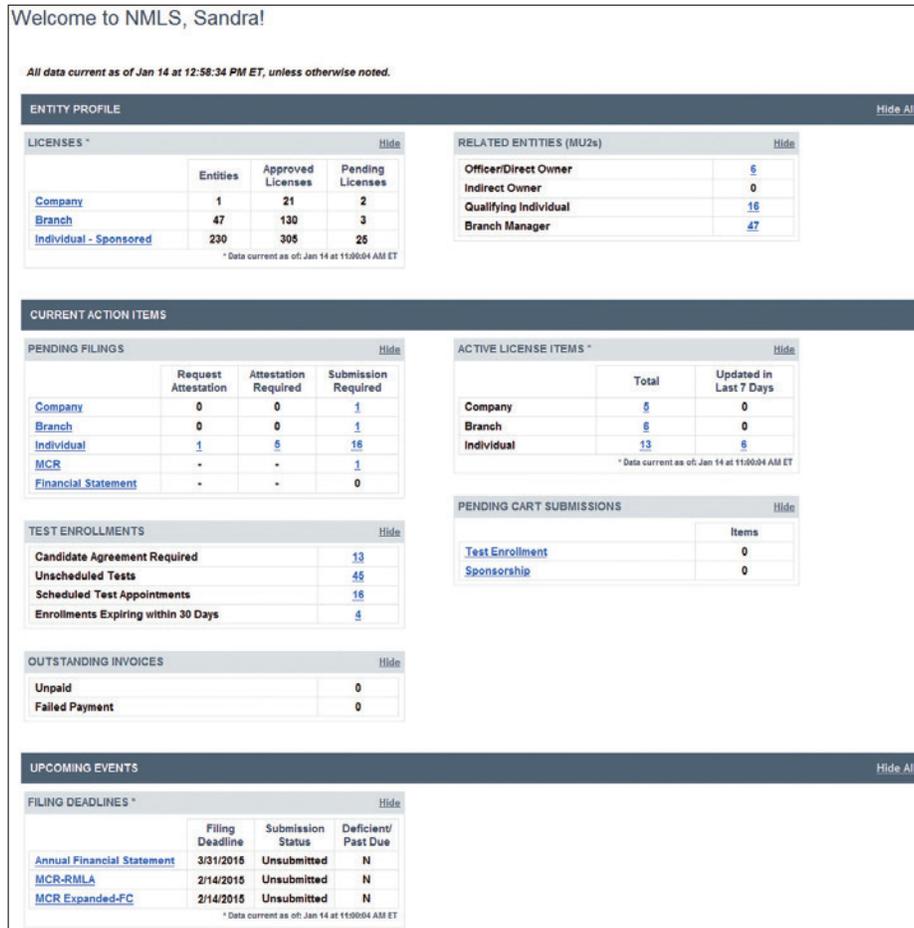


FIGURE 19. INDUSTRY DASHBOARD

NMLS Roadmap – Looking Ahead

During 2014, NMLS deployed an improved software development method to increase responsiveness and deliver value faster for system users. As a result, in 2015, NMLS will have four major system releases for large system enhancements along with monthly maintenance releases for smaller enhancements. Details can be found on the Regulator Resource Center. NMLS is working on the following major enhancements for future implementation.

- **Individual Document Upload.** This functionality is being designed to allow individuals to upload licensing-related documents directly into NMLS.
- **Electronic Surety Bond Tracking.** Surety bond tracking is being developed to create a nationwide standard for electronic surety bond delivery, tracking, and maintenance.
- **Criminal Background Check Enhancement (Rap Back).** Rap Back is functionality offered by the FBI that will notify state regulators of new Criminal History Record Information (CHRI) events on relevant individuals (licensees).
- **Consumer Access Improvements.** Consumer Access is being redesigned to improve the user interface, enhance search/filtering capabilities, and to expand the use of the product by consumers.
- **Examination Management Tool Suite (EMTS).** The EMTS is being developed to provide state regulators with an end-to-end solution for the scheduling, management, and archiving of examinations applicable for single-state, multistate, and state-federal examinations. The EMTS will also provide industry with a portal through which they can provide documents and communications during the examination process.
- **NMLS Data Services and Analytics Expansion.** This tool is being expanded to allow users the capability to access and manipulate additional data contained in the System.
- **Money Services Businesses (MSB) Annual Report.** A new reporting capability is being developed for MSB licensees to submit their routine financial reporting electronically in NMLS.

TEST DEVELOPMENT AND MAINTENANCE

SRR and its testing vendor continued with regular test maintenance activities that include convening test maintenance committees to review test content outlines and the content of test items (questions), along with evaluating item performance data and creating new test questions. SRR and the state agencies also conduct regular legislative reviews of state and federal components to ensure that test questions are accurate and up-to-date. In 2014, maintenance activities were completed for eight state test components and the national test component. In addition to the maintenance activities, SRR regularly monitors tests to ensure they are accurate and performing appropriately.

Through test maintenance, item performance analysis, and other means, SRR identifies and removes questions that are no longer appropriate, resulting in a test being revised and republished. Part of the maintenance effort includes the “Test Content Comments and Challenges” process which is outlined on the NMLS Resource Center in the MLO Testing Handbook. In 2014, SRR formally responded to 53 challenges that were submitted under this process.

In 2014, the maintenance of the National Test with Uniform State Content was concentrated on item development in order to prepare for the conversion to a new test administration model called Linear on The Fly Testing (LOFT). LOFT will be implemented in early 2015 and will allow for more complete usage across the bank of test questions.

In June 2014, SRR released a Request for Proposal for a Job Analysis Study to be conducted in 2015 to further validate the SAFE MLO National Test with Uniform State Content. A Job Analysis Study is an industry standard process used in validating the knowledge areas assessed in a professional licensure examination. SRR selected a vendor that provides quality psychometric and test development services for a large number of licensure and certification testing programs.

TEST ENROLLMENT AND SCHEDULING ENHANCEMENTS

In 2014, SRR staff completed the development and implementation of functionality to enhance the enrollment and scheduling process for the SAFE MLO test. These improvements included streamlining the scheduling process and displaying test appointment information within NMLS, which allows companies and individuals to better manage their testing requirements.

TEST ADMINISTRATION

The national and 19 state components of the SAFE MLO Test were available in 2014. Due to the adoption of the National

2013 - 2014 NUMBER OF TESTS ADMINISTERED		
TEST NAME	2013	2014
SAFE MLO Test - National Component	13,055	NA
SAFE MLO Test - National Component with Uniform State Content	25,914	28,935
SAFE MLO Test - State Components (Aggregate)	70,637	36,889
SAFE MLO Test - Stand-alone Uniform State Content	17,705	22,061
Total Tests Administered	127,311	87,885

FIGURE 21. NUMBER OF TESTS ADMINISTERED IN 2013 AND 2014

Test with Uniform State Content by seven additional state agencies, a total of 12 state tests remained available at year end. Approximately 88,000 test components were administered in 2014. MLOs were able to take any of the test components at more than 270 high-stakes test centers throughout the United States. A summary of the number of tests administered in 2013 and 2014 is included in Figure 21.

TEST PERFORMANCE

SRR regularly monitors the performance of the SAFE MLO Tests and posts quarterly test administration and performance information on the [NMLS Resource Center](#). An example of the information collected and reviewed is found in Figure 22 that shows the pass rates by attempt for the National Test with Uniform State Content since its implementation on April 1, 2013. In addition, Figure 23 illustrates the first-time pass rates by month through 2014.

National Test with Uniform State Content Pass Rates by Attempt April 1, 2013 through December 31, 2014			
	Tests Taken	Tests Passed	Pass Rate
1st Time	44,246	29,854	67.5%
Subsequent Attempts	10,603	5,158	48.6%
Overall	54,849	35,012	63.8%
	Candidates	Candidates Passed	Pass Rate by Individual
All Attempts	44,246	35,012	79.1%

FIGURE 22. NATIONAL TEST WITH UST PASS RATES BY ATTEMPT

National Test First Time Pass Rate

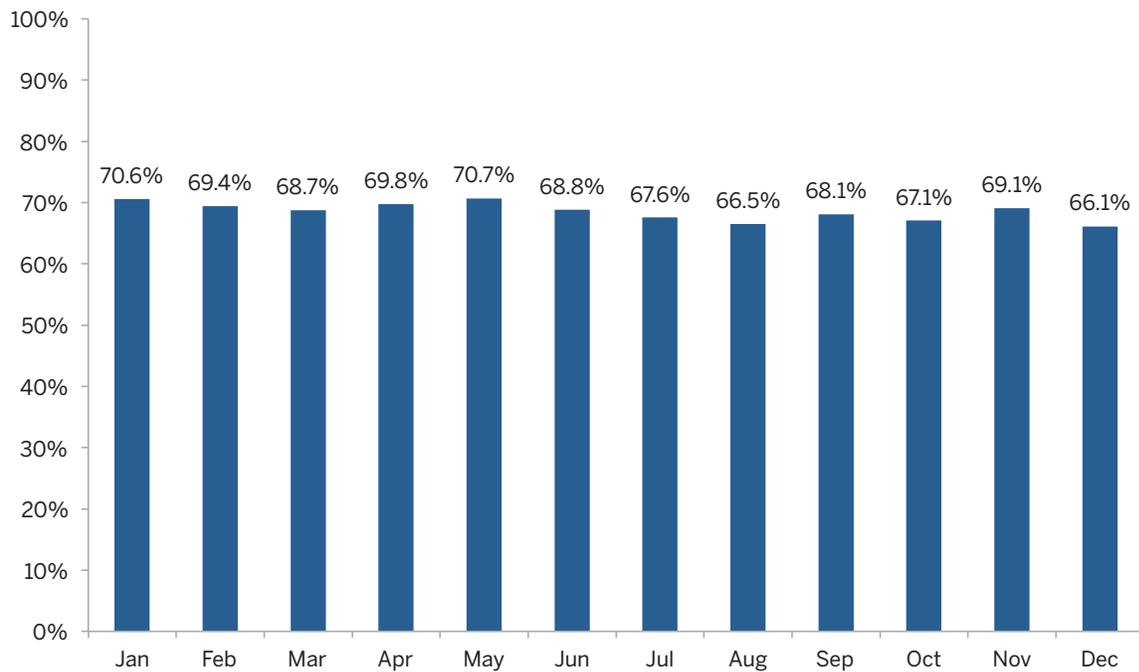


FIGURE 23. NATIONAL TEST FIRST TIME PASS RATES BY MONTH

EDUCATION

In 2014, over 135,000 state-licensed MLOs and MLO applicants completed more than 1.7 million hours of pre-licensure (PE) and continuing education (CE) (Figure 24). For the first time since the education program began in 2009, SRR recorded an 18 percent decline in the amount of PE hours completed. The total number of CE hours increased 3.8 percent, and the number of CE hours that were required by MLOs seeking to return to the industry increased 36 percent. This significant increase is partly attributed to System enhancements implemented in 2013 that require an MLO to satisfy any outstanding CE requirement as a condition for submitting a new license application. Overall, the increase in the number of CE hours helped to offset the decrease in PE, resulting in an overall 6.3 percent net decrease in the number of hours of education completed. Of the over 121,000 MLOs who were required to complete CE in 2014, 86 percent did so by December 31, 2014 (the same percentage as in 2013).

At the end of 2014, there were 115 NMLS-approved course providers, 12 fewer than at the end of 2013. However, MLOs continued to have a wide choice of NMLS-approved PE and CE courses (100 more courses than in the previous year). Online courses continued to be the preferred course format: 77 percent of PE and 66 percent of CE were completed online. Figures 25 and 26 show these trends.

NMLS Approved Education Fast Facts*	
Active Course Providers	115
PE and CE Courses	1,443
MLOs Completing Courses	135,434
Hours PE Completed	711,976
Hours CE Completed	1,052,278
CE Completed Online	66%
MLOs Completing CE by 12/31	86%
Course Compliance Exams Completed	125
*as of 12/31/14	

FIGURE 24. NMLS APPROVED EDUCATION SUMMARY

The number of agencies with a state-specific education requirement continued to increase in 2014 as many states that adopted the UST added state-specific content to their requirements for education. The California Department of Business Oversight, Connecticut, Oklahoma, Oregon, and New Hampshire each implemented or announced new state-specific education requirements. The number of agencies with a state-specific PE requirement is now 28, and the number of agencies with a state-specific CE requirement is 22.

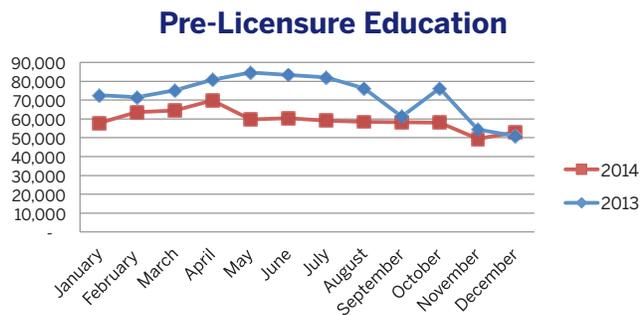


FIGURE 25. PE COURSE COMPLETION RATE

In its ongoing effort to ensure education is being delivered in accordance with the intent of the SAFE Act and the expectation of state regulators, SRR conducted over 125 provider compliance reviews through onsite visits or online course exams in 2014. SRR also sent out over 191,000 end-of-course surveys with an average response rate of 22 percent. The surveys are used to measure course quality and to inform education providers how they are performing. To further increase course quality, SRR initiated a Corrective Action Plan (CAP) process that formally notifies providers of significant course delivery problems and requires them to respond in writing with verifiable plans describing how the problem(s) will be corrected. The CAP is required to be completed successfully as a condition to maintain course approvals. SRR issued five such letters in 2014.

To protect the integrity of the education program, SRR formed a working group of course providers of various sizes to advise SRR on the drafting of a Rules of Conduct for education students. The working group also provided input on extensive research that SRR conducted to identify options for effectively authenticating the identity of individuals seeking to complete an online course. Both the Rules of Conduct and enhanced authentication solution are scheduled to be implemented in the first half of 2015.

TESTING AND EDUCATION INVESTIGATION FLAG

As noted in the Development section of this report, in March, the Testing and Education Investigation Flag functionality was introduced in NMLS. This flag alerts regulators that an individual or company has an ongoing investigation, or has been found to have violated the Rules of Conduct for test takers, students, and/or the Candidate Agreement. The new Testing and Education Investigation Flag, visible only to state mortgage regulators, automatically sends notifications to relevant regulators when created or updated by SRR staff.

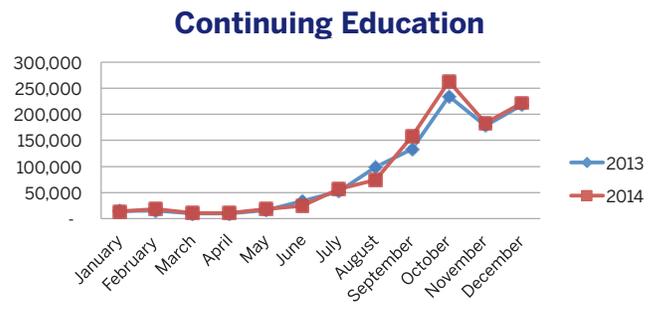


FIGURE 26. CE COURSE COMPLETION RATE

MORTGAGE TESTING AND EDUCATION BOARD (MTEB)

In September 2009, the SRR Board of Managers created MTEB. MTEB has both oversight and advisory roles and is comprised of at least nine state regulators representing each of the five CSBS Districts and at least one AARMR representative.

In 2014, MTEB completed a comprehensive review of the policies and processes through which it manages the investigations of violations of Rules of Conduct cases for test candidates and education students and the Standards of Conduct cases that apply to course providers. The objective was to streamline the process and reduce the burden on the MTEB. As a result of its study and recommendations, MTEB will take less of an investigative role and perform an appellate role as necessary and continue to exercise its oversight role. In 2014, MTEB initiated investigations into 15 cases of reported violations of the Rules of Conduct for test takers and education students and reported violations of the Standards of Conduct for course providers. It made findings of violations in 12 cases. Only two cases were still open at year end.

MTEB also serves in an advisory role by providing guidance and recommendations to the SRR Board of Managers and staff on policies about a range of issues affecting the implementation and operations of SAFE Act testing and education requirements.

A roster of MTEB members can be found in Appendix G.

NMLS LEGAL AND ADMINISTRATIVE ISSUES

SECURITY, PRIVACY, AND BREACH POLICIES

The NMLS Federal Registry portion of NMLS (a) complies with Federal Information Security Management Act (FISMA) standards and guidelines set by National Institute of Standards and Technology (NIST); (b) meets the moderate baseline security controls contained NIST Special Publication 800-53, Recommended Security Controls for Federal Information Systems; and (c) has been fully accredited (certification and accreditation) by the CFPB. The most recent inspection was completed in December 2013.

The [NMLS Privacy, Data Security and Security Breach Notification Policy](#) is available on the NMLS Resource Center.

NMLS LEGAL AGREEMENTS

To use NMLS or access specific types of data or functionality within the System, a user must agree to one or more of the following online agreements:

- Industry Terms of Use
- State Agency Terms of Use
- Federal Agency Terms of Use
- Credit Terms of Use (Industry and Agency)
- Criminal History Record Information (CHRI) Terms of Use
- Payment Terms of Use

The Industry, State Agency, and Federal Agency Terms of Use are general System user agreements that an industry or regulator user must agree to as part of the NMLS log in process. Copies of these System user agreements can be found on the [NMLS Resource Center](#).

There are two Credit Terms of Use agreements: one for state-licensed MLOs and control persons; and one for state regulators. State-licensed MLOs and control persons must push their credit reports to the appropriate state agencies where they are seeking licensure or renewing a license and acknowledge in NMLS that their credit report will be made available to one or more state regulators. State regulatory users are required to accept restrictions on the dissemination of an individual's credit information before accessing their credit data in NMLS. State regulators use this information as one tool to determine an individual's financial responsibility as required by the SAFE Act or corresponding state laws or regulations. Additional information regarding the Credit Terms of Use agreements can be found on the [NMLS Resource Center](#).

The CHRI Terms of Use must be agreed to by an authorized user, restrict the dissemination of CHRI to only authorized recipients, and require state agencies and financial institutions to provide reasonable opportunity for applicants or licensees to respond to inquiries based on information contained in the CHRI.

MEMORANDUM OF UNDERSTANDING

SRR entered into a memorandum of understanding with the Federal Housing Administration (FHA) on March 20, 2014, governing the sharing of information in NMLS with FHA. The only NMLS information being shared with FHA is also publically available to individual consumers through NMLS Consumer Access. FHA agreed to protect against the unauthorized access, use or distribution of the information accessed by FHA and to notify SRR immediately if any such unauthorized activity occurs.

LITIGATION

SRR was not subject to any significant litigation in 2014.

REQUESTS FOR PROPOSALS

Job Analysis

On June 24, 2014, SRR posted a Request for Proposal seeking proposals for services related to testing requirements of the SAFE Act. The Job Analysis is a process used for validating the SAFE MLO National Test Uniform Content.

SRR completed a thorough review of all submissions, and selected a Kansas City, Missouri firm based on its expertise in providing psychometric and test development services for large-scale testing programs in licensure and certification.

SRR FINANCIAL PERSPECTIVE

OVERVIEW

Organizationaly, SRR is structured as a single member limited liability corporation (LLC) with CSBS being the sole member. For tax reporting purposes, SRR is considered a part of CSBS and is therefore a 501(c)(3) tax exempt entity. Annually, an audit of SRR is performed by an independent accounting firm. At the time of this printing, the annual audit for the year ending December 31, 2014 was underway, but the final report had not been presented. When available, a copy of the final audit report will be posted on the [SRR website](#).

OUTLOOK

Looking ahead, 2015 includes significant initiatives, including new and enhanced System functionality, and the expanded use of NMLS by other state agencies with oversight of other financial services industries. The level of adoption by state agencies and financial impact of the expansion is unknown. SRR's long-range plan has forecast that an appropriate financial reserve is essential in funding the ongoing development, operation and maintenance of NMLS as mandated by the SAFE Act, as well as to prudently position SRR to ensure continued operations in the event of variations in revenue given the cyclical nature of entities in the financial services industries that are registered and licensed through NMLS.

CHARTS AND FIGURES

- Figure 1. Total Licenses and Entities in NMLS
- Figure 2. Annual Growth – Companies vs. Licenses
- Figure 3. Annual Growth – Average Number of Licenses per MLO
- Figure 4. Annual Growth – Companies by Licenses Held
- Figure 5. Annual Growth – Individuals by Licenses Held
- Figure 6. Annual Growth – MLO Licenses per State
- Figure 7. Actively Registered Federal MLOs by Year
- Figure 8. Actively Registered Institutions by Year
- Figure 9. States Managing MSB License Types in NMLS
- Figure 10. List of MSB License Numbers and Types by State
- Figure 11. Expansion Industries in NMLS
- Figure 12. Licensing, Registration and Professional Standards Activity
- Figure 13. NMLS Resource Center Websites
- Figure 14. NMLS Call Center Monthly Inbound Call Volume by User Type
- Figure 15. NMLS Call Center Monthly Inbound Call Volume by Year
- Figure 16. Number of Companies Filing Standard and Expanded Call Reports in Q3 by Year
- Figure 17. Meet the Regulator Session at the NMLS Annual Conference
- Figure 18. NMLS Ombudsman Meeting Participants
- Figure 19. Industry Dashboard
- Figure 20. State Adoption of Uniform State Test
- Figure 21. Number of Tests Administered in 2013 and 2014
- Figure 22. National Test with UST Pass Rates by Attempt
- Figure 23. National Test First Time Pass Rates by Month
- Figure 24. NMLS Approved Education Summary
- Figure 25. PE Course Completion Rate
- Figure 26. CE Course Completion Rate
- Figure 27. SRR-NMLS Organization Chart

APPENDICES

- Appendix A Organizational Governance
- Appendix B SAFE Act
- Appendix C NMLS Unique Identifier
- Appendix D NMLS Fees
- Appendix E NMLS 2014 Development Schedule and Features
- Appendix F CSBS Organizational Chart
- Appendix G Committee and Working Group Rosters
 - SRR Board of Managers
 - NMLS Policy Committee
 - Industry Advisory Council
 - Mortgage Testing and Education Board
 - SRR Lawyers Committee
 - Regulator Development Working Group
 - Industry Development Working Group
 - Advance Change Notice Working Group
 - Ad Hoc Working Groups
 - Agency Fee Invoicing Working Group
 - Document Upload Working Group
 - Examination Management Tool Suite Working Group
 - Risk Profile Working Group
 - Surety Bond Working Group

APPENDIX A: ORGANIZATION GOVERNANCE

The guiding principles and policy decisions that drive the existence and continuing evolution of SRR's operations are originated and developed through the involvement and leadership of state financial regulators. Agency personnel spend countless hours leading and participating on boards, committees, and ad hoc working groups, contributing their expertise to make NMLS an effective regulatory tool. SRR also benefits from industry input and participation on various user groups.

STATE REGULATORY REGISTRY LLC

SRR is a non-profit entity that operates NMLS on behalf of state financial services regulatory agencies. SRR is governed by an eight-member Board of Managers comprised of state banking regulators and a representative of AARMR.⁴ The SRR Board of Managers is responsible for all development, operations and policy matters concerning NMLS. SRR operates as a subsidiary of CSBS.⁵ An organizational chart of CSBS and related entities can be found in Appendix F.

SRR-NMLS ORGANIZATION CHART

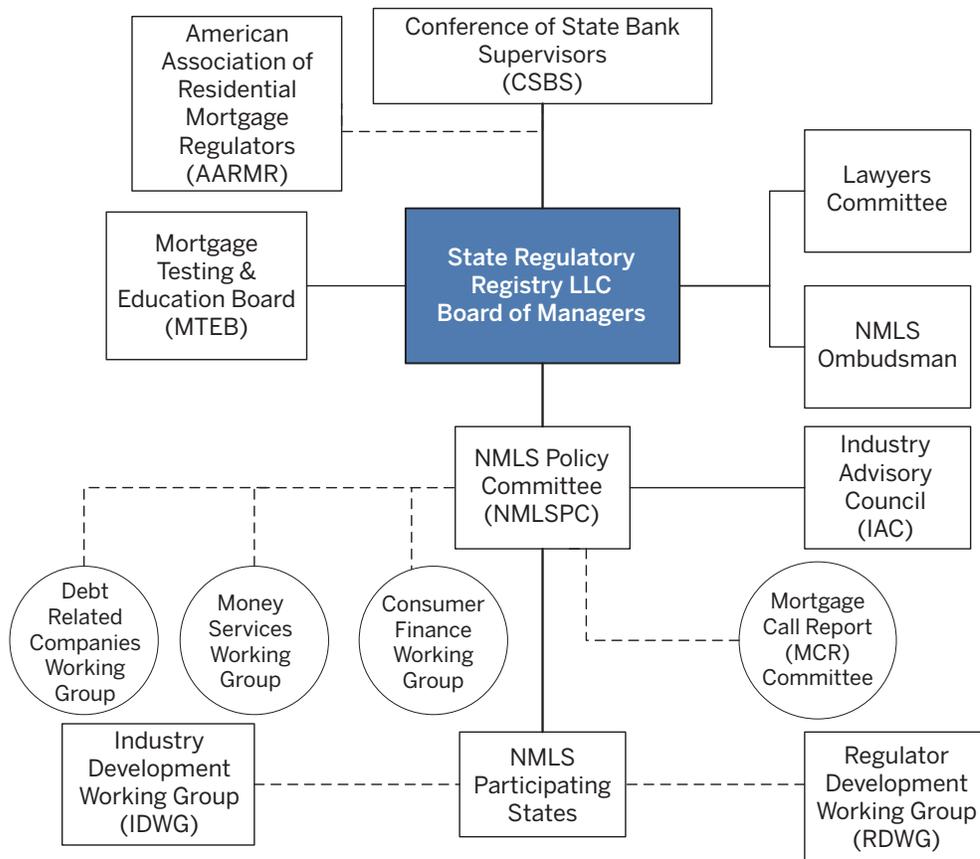


FIGURE 27. SRR-NMLS ORGANIZATION CHART

4 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 responsibility for the administration and regulation of residential mortgage lending, servicing and brokering.

5 The CSBS is the nationwide organization of banking regulators from all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. State banking regulators supervise nearly 5,100 state-chartered financial institutions. Further, most state banking departments also regulate a variety of non-bank financial services providers, including mortgage lenders. For more than a century, CSBS has given state supervisors a national forum to coordinate supervision of their regulated entities and to develop regulatory policy. CSBS also provides training to state banking and financial regulators and represents its members before Congress and the federal financial regulatory agencies.

At the end of 2014, SRR had 49 full-time equivalent professionals in Washington, D.C. These professionals work under the direction of the SRR Board of Managers to develop, enhance, and operate NMLS, oversee SAFE Act compliance, administer the testing and education programs, and facilitate working groups of state and federal regulators and industry related to state licensing, federal registration, supervision, and NMLS policy. Additionally, SRR contracts with the CFPB to register MLOs through the NMLS Federal Registry. SRR also contracts with other firms to deliver various portions of NMLS functionality and program oversight.

NMLS OMBUDSMAN

The position of NMLS Ombudsman was created in 2009 by the SRR Board of Managers to provide NMLS industry users and other interested parties with a neutral venue to discuss issues or concerns regarding NMLS operations and functionality and SRR policies governing the System. The objective of the NMLS Ombudsman is to foster constructive dialogue between industry users of NMLS and state regulators to work mutually toward the goal of modern and efficient financial services regulation.

The NMLS Ombudsman is a member of the NMLS Policy Committee and reports directly to the SRR Board of Managers. The NMLS Ombudsman in 2014 was Robert Niemi, Deputy Superintendent for Consumer Finance, Ohio Department of Commerce – Division of Financial Institutions.

NMLS POLICY COMMITTEE

The NMLS Policy Committee is instrumental in the decision-making process related to NMLS operations, development and policy matters. All other committees and working groups generally report recommendations and findings to the NMLS Policy Committee which makes final decisions or recommends specific policy to the SRR Board of Managers, as appropriate. The Committee is comprised of 11 state regulators, including the NMLS Ombudsman, representatives from each of the five CSBS Districts, and representatives from AARMR, MTRA⁶, NACCA⁷, and NACARA.⁸

MORTGAGE TESTING AND EDUCATION BOARD (MTEB)

MTEB has both oversight and advisory roles in connection with a wide array of issues affecting the continued development and operation of SAFE Act testing and education requirements. MTEB is comprised of nine state regulators representing the five CSBS Districts and at least one AARMR representative.

INDUSTRY ADVISORY COUNCIL (IAC)

The IAC provides industry input on System policies and operations. IAC members consist of individuals from state-licensed non-depository financial services companies, financial institutions, and financial services-related industry trade groups, as appointed by the Chairman of the SRR Board of Managers.

SRR LAWYERS COMMITTEE

The SRR Lawyers Committee consists of attorneys from state regulatory agencies. The Committee meets to identify and analyze legal issues related to NMLS operations with the intent of helping SRR spot potential legal issues from a state agency perspective and help shape solutions before they are incorporated into the System. The Committee also helps provide a multistate perspective on issues of interpretation and offers recommendations in order to facilitate a more uniform application of law on a nationwide basis. The Committee, however, does not provide SRR with legal advice.

NMLS PARTICIPATING STATES COMMITTEE

The NMLS Participating States Committee meets to discuss NMLS policy, process, and development through the Open Forum Calls and Release Feature Meetings. The NMLS Participating States Committee consists of representatives from each state agency participating in NMLS.

6 MTRA is a national non-profit organization dedicated to the efficient and effective regulation of the money transmission industry in the United States. The MTRA membership consists of state regulatory authorities in charge of regulating money transmitters and sellers of traveler's checks, money orders, drafts and other money instruments.

7 NACCA was formed in 1935 to improve the supervision of consumer financial companies and to facilitate the administration of laws governing these companies. NACCA presently has members from 49 states, the District of Columbia, Puerto Rico, and Alberta, Canada. Its members primarily license and regulate non-depository institutions such as finance companies, mortgage companies, small loan companies, pay day lenders, pawnbrokers, and other similar types of industries.

8 NACARA is comprised of the various regulatory agencies in the United States and its territories and Canada that oversee the activities of third-party debt collectors.

REGULATOR DEVELOPMENT WORKING GROUP (RDWG)

RDWG is comprised of state regulators representing a minimum of five states. RDWG serves as regulatory subject matter experts in NMLS detailed requirements and development processes and meets with other ad hoc working groups when discussing specific areas of system development.

INDUSTRY DEVELOPMENT WORKING GROUP (IDWG)

IDWG is comprised of NMLS industry users. IDWG discusses NMLS operations, enhancements, and development issues.

LARGE INSTITUTIONS WORKING GROUP (LIWG)

LIWG provides input on matters related to the NMLS Federal Registry's policy and functionality. The working group is comprised of large mortgage originating institutions across all charter types that are required under federal regulations to register their mortgage loan originators.

AD HOC WORKING GROUPS

SRR convenes state regulator and industry working groups and committees as needed to determine System policy and development and to set the direction for operational needs. Working groups that were convened during 2014 include:

- Advance Change Notice Working Group
- Agency Fee Invoicing Working Group
- Document Upload Working Group
- Examination Management System Tool Working Group
- Mortgage Call Report Working Group
- Risk Profile Working Group
- Surety Bond Working Group

Membership of the SRR Board of Managers, NMLS Policy Committee, MTEB, IAC, SRR Lawyers Committee, RDWG, IDWG and the 2014 Ad Hoc Working Groups can be found in Appendix G.

APPENDIX B: SAFE ACT

OVERVIEW

On July 30, 2008, President George W. Bush 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, or the SAFE Act, contained provisions to enhance consumer protection and reduce mortgage fraud by requiring states to establish minimum standards for the licensing or registration of all MLOs. The law provided that MLOs who work for an insured depository, for an owned or controlled subsidiary regulated by a federal banking agency, or for an institution regulated by the Farm Credit Administration, must be registered. All other MLOs must be licensed by the states. All MLOs must be licensed or registered in NMLS.

CONSUMER FINANCIAL PROTECTION BUREAU

Under the provisions of the SAFE Act, the United States Department of Housing and Urban Development (HUD) was given oversight authority for the states to determine that each jurisdiction's MLO licensing standards meet the federally mandated minimums and that each licensing agency participates in NMLS. Effective July 21, 2011, the Dodd-Frank Act transferred HUD's SAFE Act oversight authority as a regulator of the System, and as the arbiter of state law consistent with the mandates of the SAFE Act, to the CFPB. Additionally, CFPB took over responsibility for the NMLS development contract between SRR and the federal agencies for use of the NMLS to register depository MLOs.

STATE SAFE ACT REQUIREMENTS AND COMPLIANCE

The SAFE Act requires state-licensed MLOs to pass a written qualified test, complete pre-licensure education courses, and take annual continuing education courses. The SAFE Act also requires registered and licensed MLOs to submit fingerprints in NMLS for submission to the FBI for a criminal background check, and state-licensed MLOs to provide authorization for NMLS to obtain an independent credit report.

State legislation must also establish financial responsibility standards and require that all MLOs are covered by a surety bond, net worth requirements, or recovery fund. Additionally, all states must license MLOs through NMLS. CFPB must determine that each state's MLO licensing standards meet the federally mandated minimums and that the state is participating in NMLS.

Under additional rule making from the CFPB, effective January 2, 2014, new federally registered MLOs were also required to meet financial responsibility standards, complete annual training, and meet the same standards for criminal background checks as state-licensed MLOs.

If CFPB determines that a state's MLO licensing standards are not in compliance with federally mandated minimums, then CFPB must implement a system to license MLOs in that state in accordance with the SAFE Act. CFPB's regulation would be in addition to any state licensing requirements.

The implementing federal rules under the SAFE Act, Regulations G and H, clarify and expand upon the SAFE Act provisions, and CFPB will base its determination of state compliance on the language contained rules. The rules stipulate that a supervisory authority that is accredited under the CSBS/AARMR Mortgage Accreditation Program will be presumed by CFPB to be compliant with required performance standards. The following state agencies have been accredited under the mortgage accreditation program: Idaho, Iowa, Kentucky, Louisiana, Massachusetts, Mississippi, New Hampshire, North Carolina, Ohio, Oklahoma Dept. of Consumer Credit, Pennsylvania, Tennessee, Texas Dept. of Saving and Mortgage Lending, Vermont, Virginia, Washington, and Wyoming.

NMLS SAFE ACT REQUIREMENTS AND COMPLIANCE

In addition to requiring state laws and regulations to meet certain minimum requirements, the SAFE Act contained specific mandates for NMLS. Those mandates are generally reflected in other sections of this report. They include:

- Establishing protocols for the issuance of NMLS Unique Identifiers.
- Receiving and processing of fingerprints for federal criminal history background checks for all MLOs.
- Developing and administering a qualified written test.
- Reviewing and approving pre-licensure and continuing education courses.
- Providing public access to licensing information on all residential mortgage licensed loan originators.
- Developing and implementing the NMLS Mortgage Call Report.
- Making publicly adjudicated disciplinary and enforcement actions available to the public. State actions started being posted in 2012, and in 2013, self-reported disciplinary actions for federally registered MLOs were able to be displayed in NMLS Consumer Access. As of year-end 2014, 45 state agencies had posted more than 6,000 public regulatory actions and federally registered MLOs had reported almost 900 actions.

APPENDIX C: NMLS UNIQUE IDENTIFIER

As required by Section 1503 of the SAFE Act, an NMLS Unique Identifier (NMLS ID) is permanently assigned by NMLS to each state-licensed or federally registered MLO. NMLS also assigns an NMLS ID to each company, branch, and control person that maintains a single account in NMLS. Once assigned, an entity's NMLS ID cannot be changed. The NMLS ID granted to loan originators and companies allows regulators to monitor licensed entities and individuals across state lines to ensure a provider will not escape regulatory supervision in one state, simply by crossing into another state. The NMLS ID also allows consumers and the industry to easily identify and research specific originators' histories and qualifications through NMLS Consumer Access.

When a company or individual creates an account in NMLS, an NMLS ID is automatically assigned and reserved for use by the applying entity. However, the NMLS ID is not valid until either a state license or registration (or the denial of a state license/registration) or a federal registration has been issued. The NMLS ID can be verified for a state-licensed company, branch or MLO, or a registered institution or MLO through NMLS Consumer Access.

The benefit of the NMLS ID has been recognized by the Federal Housing Finance Agency (FHFA) and the U.S. Department of Housing and Urban Development (HUD). Both federal agencies require that any loan purchased or securitized by Fannie Mae and Freddie Mac or submitted for insurance by the Federal Housing Administration (FHA) must include the NMLS ID for the company and individual MLO that originated the mortgage loan.

Additionally, the FHA collects the NMLS ID of all individuals and entities participating in the origination of FHA loans. The NMLS ID is also widely used by the private sector, particularly investors and compliance management providers, to ensure that purchased loans are being made in compliance with federal and state laws and to track performance levels of originators.

APPENDIX D: NMLS FEES

SYSTEM FEES

To fund NMLS operations, functionality and enhancements, NMLS charges various fees. NMLS fees are paid for, in the majority of cases, by the licensed entity or, in some instances, by the state regulatory agency.

A summary of NMLS fees for entities by type includes:

- NMLS processing fees for company, branch and MLO licenses and registrations managed in the System.
- Test fees for the national, uniform and state test components.
- Education fees related to the:
 - Banking of course hours taken by licensed MLOs.
 - Approval and renewal of course providers and pre-licensure and continuing education courses.
- Criminal background check fee for the collection of fingerprints and distribution of the FBI's criminal history record information to authorized recipients.
- Credit report fee for the pulling of single-bureau report for use by state regulators.
- Two-factor subscription fee for the provision of dual factor authentication of all institution users who have access to more than one MLO's personal identifying information.
- Uniform Authorized Agent Reporting (UAAR) functionality user fees.

Other NMLS services, such as the NMLS Call Center, NMLS Consumer Access, System access, updating a licensee's record, and System reports are provided at no charge to the user.

The SRR Board of Managers annually reviews NMLS fees by type to determine the appropriateness of each fee. SRR solicits public comment on any fees that the SRR Board of Managers has under consideration for change.

NMLS PROCESSING FEES

NMLS users pay various processing fees as listed below. These fees are unchanged since the System launched in January 2008.

- Initial Set-up Fee. Charged each time a mortgage company, institution, branch, or individual loan originator uses NMLS to apply for a new license or new registration. For state licensed applicants, the initial set-up fee is "per state/per license."

- Annual Processing Fee. Charged annually at the time of renewal when a company, institution, branch, or individual loan originator, renews a license or registration.⁹ For state licensees, the annual processing fee is a "per state/per license" fee.
- MLO Change of Sponsorship Fee. Charged each time NMLS processes a company's request to have an MLO's license affiliated with that company. The Mortgage Loan Originator Change of Sponsorship Fee is a "per state/per license" fee.
- MLO Change of Employment Fee. Charged each time an institution requests to have a registered MLO associated with their institution.
- Reactivation Fee. Charged when a federal MLO's registration status is changed from inactive to active. This active registration status is maintained through the end of the calendar year the reactivation request occurs in.

NMLS TEST AND EDUCATION FEES

NMLS test fees are payable by an individual who is enrolling to take the MLO SAFE Act national test and state components or by the company that may be enrolling its MLOs for the test components.

- National Component: \$110 (contains 100 questions with an appointment time of three hours).
- Stand-alone UST: \$33 (contains 25 questions with an appointment time of one hour and 15 minutes).
- Each Unique State Component: \$69 (contains 55-65 questions with an appointment time of two hours).

Fees are charged for the approval and renewal of education courses and course providers, and each NMLS-approved course provider is charged a "credit banking fee" of \$1.50 per course hour taken by an MLO. "Credit banking" is the process where the course provider records a candidate's or licensee's SAFE Act required education hours in NMLS. Fees paid by an MLO to take an NMLS-approved course are set by the NMLS-approved course provider.

NMLS CRIMINAL BACKGROUND CHECK FEES

NMLS provides functionality within the System to process fingerprints for the purpose of obtaining a federal criminal background check through the FBI. The criminal history record information check response from the FBI is attached to the MLOs NMLS record and is viewable by the state regulator who issues the MLO a license or by the employing institution for registered MLOs. Fees associated with a criminal background check are as follows:

- Live Scan (electronic). \$36.25
- Paper Card Capture (if Live Scan is not selected). \$46.25

NMLS CREDIT REPORT FEES

NMLS provides state-licensed MLOs, qualifying individuals, branch managers, or control persons the ability to provide a single credit report and score to the state(s) where the individual is filing an application. The functionality provided in the System enables an individual to use that same credit report for subsequent licensure requests for up to 30 days and does not negatively impact his or her credit score. The fee associated with a credit report and credit score is \$15.

NMLS TWO FACTOR AUTHENTICATION FEES

In order to satisfy federal requirements for online government services, NMLS uses a two-factor authentication system for all NMLS Federal Registry institution users who have access to more than one MLO's personal identifying information. The \$55 annual subscription fee is charged to each institution user.

UNIFORM AUTHORIZED AGENT REPORTING FEES

The UAAR functionality allows licensees to meet authorized agent reporting requirements for multiple states directly through NMLS using a single file, a uniform set of information and a uniform process. Fees associated with the Uniform Authorized Agent Functionality are based on an annual per agent fee as follows:

- Per Active Agent: \$0.25
- Capped at \$25,000 per licensee
- No charge for licensees with less than 100 active agents

More information about NMLS fees can be found on the NMLS Resource Center.

APPENDIX E: NMLS 2014 DEVELOPMENT SCHEDULE AND FEATURES

DATE:

03/31/2014
(2014.1 Release)

PRIMARY FEATURES:

- Industry Dashboard
- Mortgage Call Report (MCR) Updates
- Testing and Education Investigation Tracking
- Uniform Licensing Form Enhancements

07/28/2014
(2014.2 Release)

- Payment Processing (Fee Netting)

10/06/2014
(2014.3 Release)

- Data Download Access via SFTP
- Invalidating Test Results
- Renewals
- Test Enrollment Streamlining and Candidate Agreement

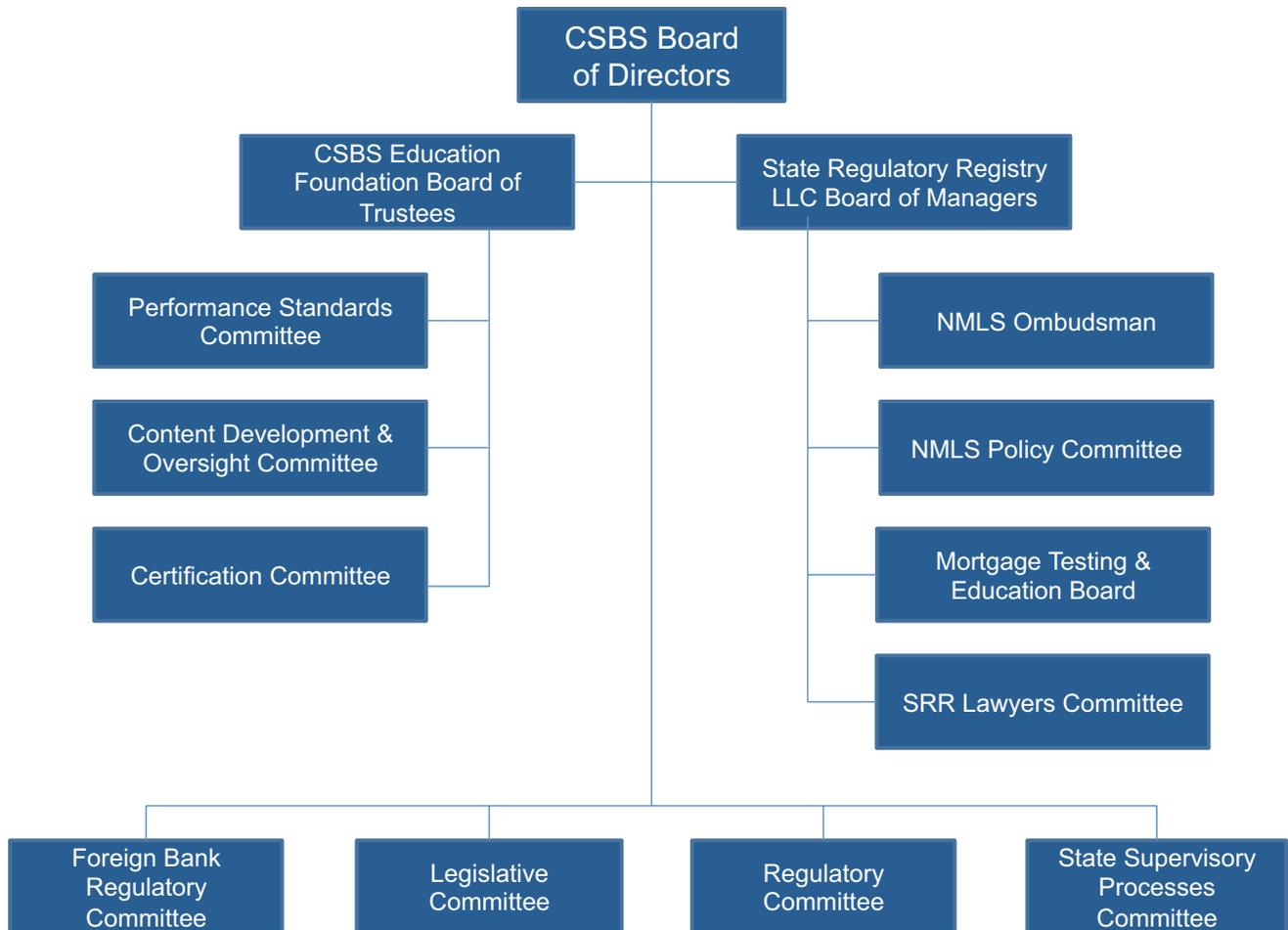
PLANNED FUTURE ROADMAP ENHANCEMENTS

Features:

- Advance Change Notice Enhancements
 - ACN List and Regulator Work List
 - Historical Filing Redline
 - Work Item Nesting
- Education - CE Tracking for MU2s
- Education - PE Expiration for MLOs
- Consumer Access Enhancements
- Consumer Complaint Tracking
- Electronic Surety Bond Tracking
- Examination Management Tool Suite
- Expansion of NMLS Data Services and Analytics
- NMLS Data Analytics and Delivery Platform
- Improve Entitlement Process
- Merger & Acquisition Functionality for State to Federal MLOs
- Merger & Acquisition Functionality for State to State companies and MLOs
- Mortgage Call Report Updates – Phase 2
- MSB Annual/Call Report - Phase 1
- Next Generation Identification Program – Rap Back Service

APPENDIX F: CSBS ORGANIZATIONAL CHART

CONFERENCE OF STATE BANK SUPERVISORS



APPENDIX G: COMMITTEE AND WORKING GROUP ROSTERS

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Brenda Young, Pennsylvania
Emily Hoch, Pennsylvania
Lucy Ponte, Rhode Island
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Maureen Camp, Washington
Amanda Harvey, Washington

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Erin Van Engelen, Idaho
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Sue Clark, Vermont

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Tim Knopp, Pennsylvania
Ryan Walsh, Pennsylvania
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Biana Stein, Nevada
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Justin Accola, Texas-SML
Cole Daniels, Virginia
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