



NMLS UPDATE

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Tampa Florida
Thursday, August 4, 2016

NMLS Update

- NMLS: Current and Upcoming Functionality
- NMLS Modernization (“NMLS 2.0”)
- NMLS: State of the System



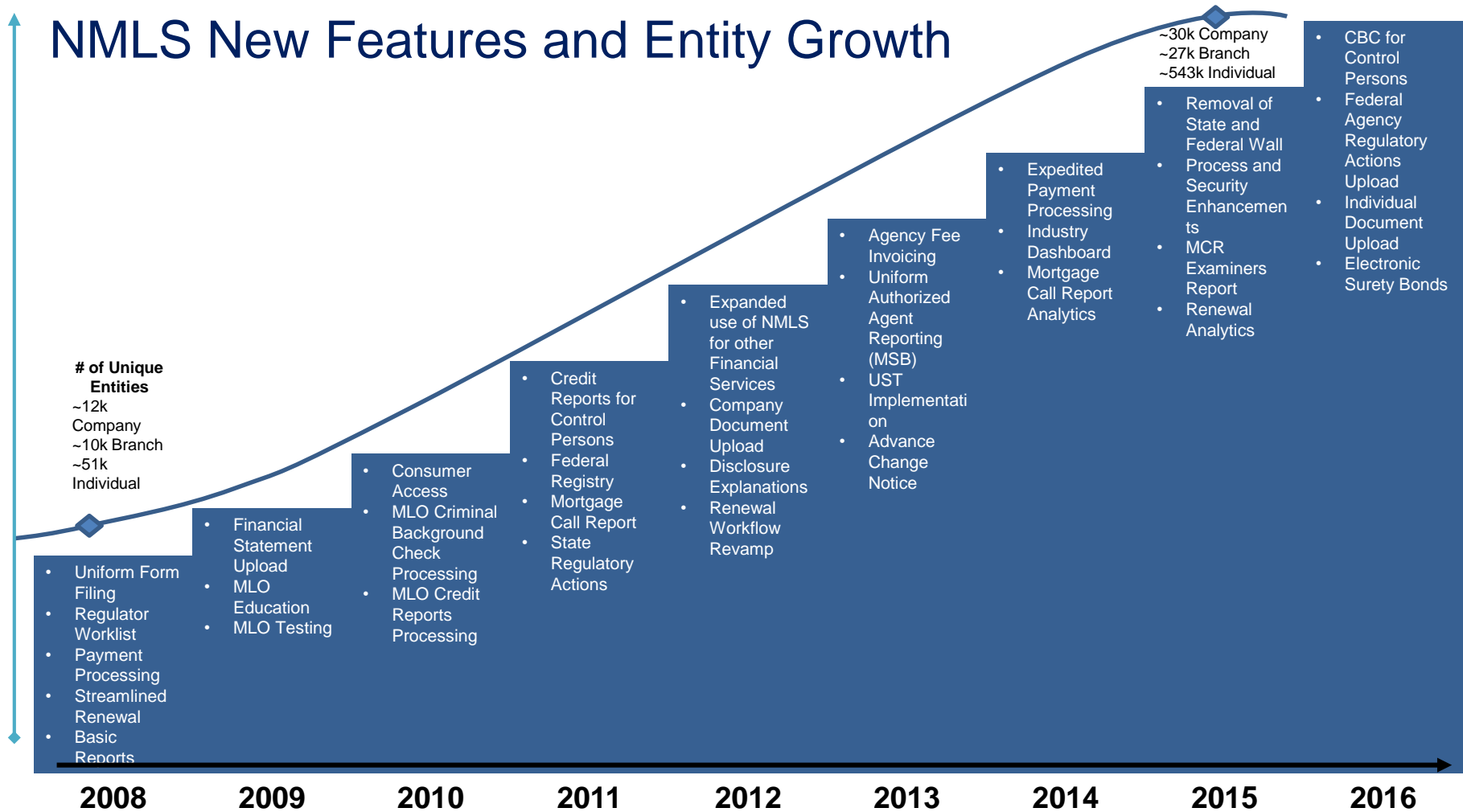
NMLS: CURRENT AND UPCOMING FUNCTIONALITY

KC Schaler

Supervising Examiner, Idaho Dept. of Finance

Co-Chair, NMLS 2.0 Steering Committee

NMLS New Features and Entity Growth



** Entity = Company/Institution, Branch, or Individual.

NMLS Current Functionality

Mortgage Call Report

- Mandated by SAFE Act and launched in 2011
- Initial focus on ensuring validity of data
- MCR Analytics Tools:
 - Provides peer group comparisons, trend analysis, sortable risk factors
 - In 1st Q 2016 used by 49 agencies
 - Used extensively by MMC and individual states
 - Examiners Report Dashboard
- 23 state agencies have adopted as primary annual report

NMLS Current Functionality

Work Item Analytics

- Reports to Monitor Workflows and Analyze Performance
 - Renewal Analytics
 - License Requests
 - Amendments
 - Sponsorship Requests

NMLS Current Functionality

Quarterly Manager's Packet

- Licensing activity
- Agency performance metrics
- Trends
- Benchmarks
- Licensee demographics
- Fiscal-year-based activity measures

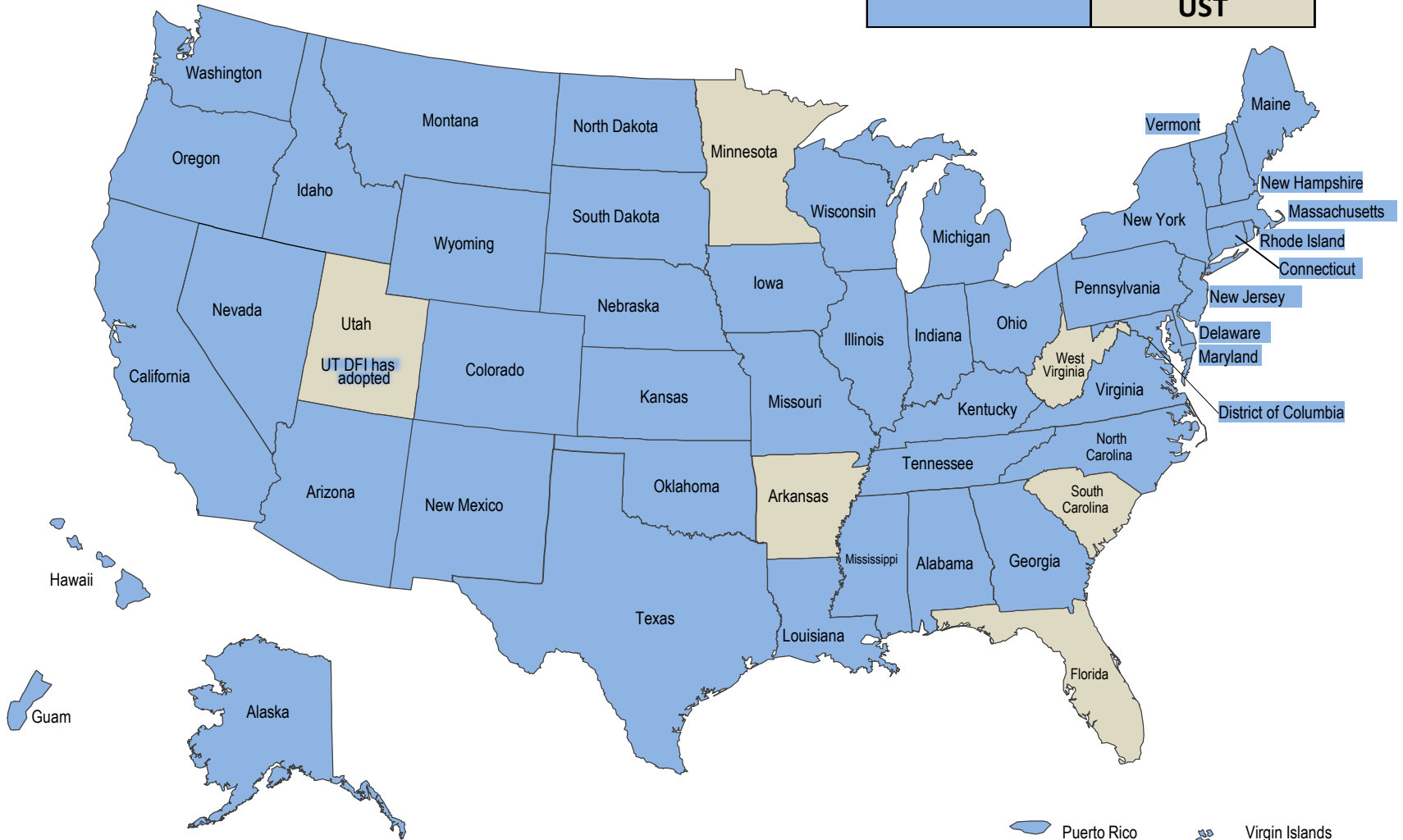
NMLS Current Functionality

Uniform State Test

- Launched in 2013
- Adopted by 52 agencies
- States seeing large initial increases in MLO applications
- Illinois adopted in June 1, 2016 and applications jumped 501% in that month (1/16 – 5/16-- 923; 6/1/16 – 6/30/16 – 925)

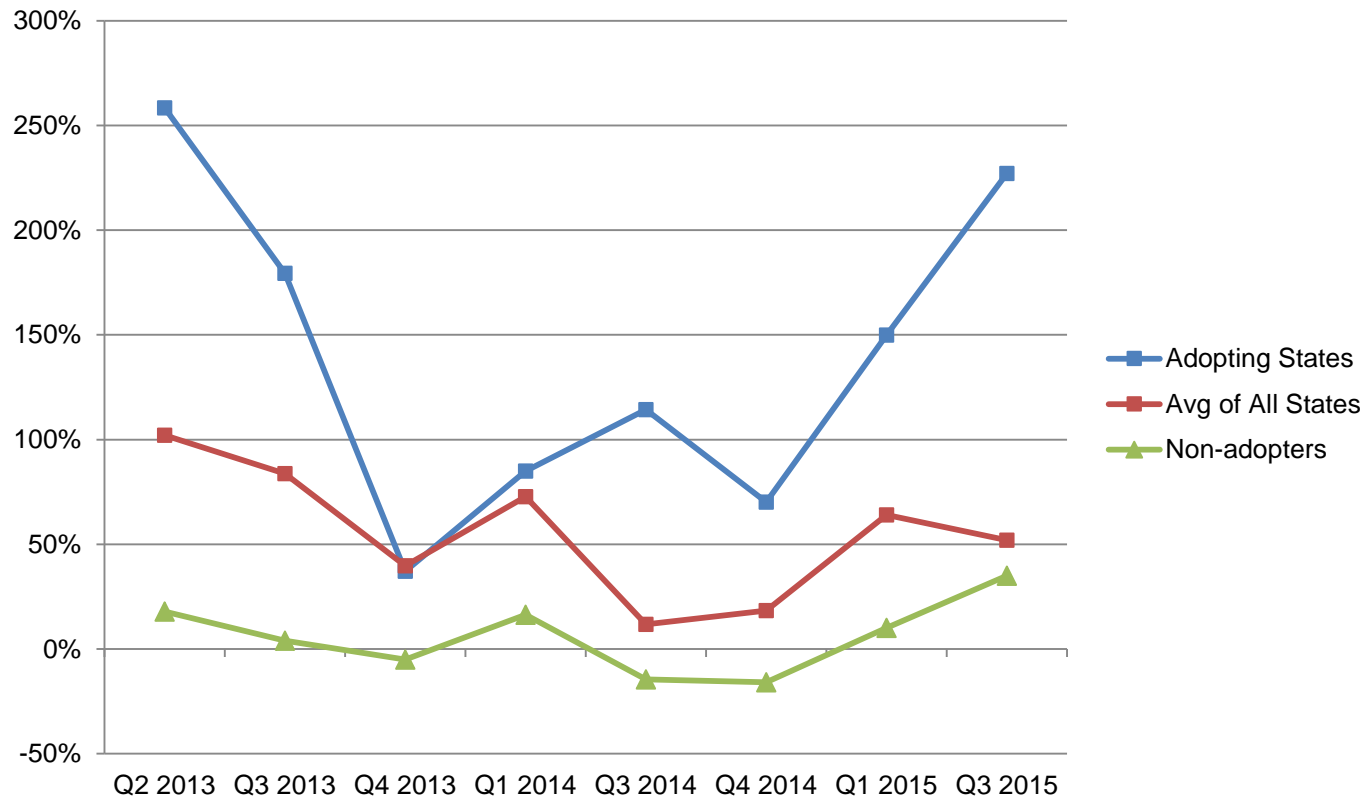
State Adoption of Uniform State Test

States which have adopted the UST	States which have not adopted the UST
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Impact on License Applications after UST Adoption

Average Percent Increase License Applications



NMLS September Release

Electronic Surety Bond Tracking

- Creating new bond issuance and maintenance procedures
- Replacing paper-based processing
- Surety companies and producers create an account in NMLS, are validated through NAIC
- 16 companies and 27 producers in NMLS
- 10 states adopting in September; next wave in Q1 2017

CBC for Control Persons, Owners, Qualified Individuals

- Amendment to SAFE Act –December 2015
 - NMLS can act as channeling agent for non-MLO individuals
- Review of all state laws for specific authority
- 27 agencies using functionality in September

NMLS September Release

Money Services Businesses Call Report

- Creates a comprehensive and uniform report
- 36 states require reporting on MSB business activities
- 34 states license MSBs thru NMLS (4 more scheduled)
- Input and support of MMET (performed 68 joint exams in 2015)
- Report includes state and national specific MSB activity
- Go live in Q1 2017; first report due May 15th
- 5 agencies planning to adopt immediately

Individual Document Upload Capability

- Ability to upload licensing-related documents

MSB Call Report: Report Sections

Section	Name	Data Level	Data Period	Submission
I.	Financial Condition Report	Company	Quarter	Required
II.(a)	Company-wide Transactions Detail	Company	Quarter	Required
II.(b)	State Transactions Detail	State	Quarter	Required
III.	Permissible Investments Report	Company	Quarter	Required for licensees engaged in money transmission, payment instrument, stored value, virtual currency, and other relevant business activities.
IV.(a)	Company-wide Transactions Destination Country Detail	Company	Annual	Required for licensees engaged in foreign money transmission Activity.
IV.(b)	State Transactions Destination Country Detail	State	Annual	Optional requirement for licensees engaged in foreign money transmission activity.



MODERNIZATION: NMLS 2.0

John Ducrest

Commissioner, Louisiana Department of Financial
Institutions

Member, SRR Board of Managers

Why Modernization?

Current NMLS:

- Application architecture is difficult to change
- Database structure is inefficient and complex to manage and store data
- Not as intuitive as it could be for the range of stakeholder users
- Does not meet all current business needs
- Is not well suited to serve as a solid foundation for new functionality and capabilities going forward

NMLS Modernization Timeline

- 2014:
 - Initial Analysis and Strategy Development
 - SRR Board Approval to issue RFP
- 2015:
 - Develop and Issue RFP
 - Evaluate Responses
- 2016
 - Alignment with EMTS RFP
 - SRR and CSBS Board Approval to Select/Contract with Vendor
 - Final Vendor Selection
- 2017 – 2019
 - Continued Development of Requirements; Deploy Modernized NMLS

NMLS 2.0

- Goal is to automate where possible while balancing regulator's responsibilities
- Builds upon collective decisions by regulators to date
 - Will not revisit every policy decision
 - Will challenge SRR staff and regulators to *revision* processes
- Builds upon experience and input from all state regulators and industry users
- Opportunity not to just improve the system, but to *rethink* the system

Scope of NMLS 2.0

- Core System Functionality
- Examination Management Tool Suite
- Transition Services:
 - Criminal Background Check System
 - NMLS Consumer Access Redesign
 - NMLS User Reports

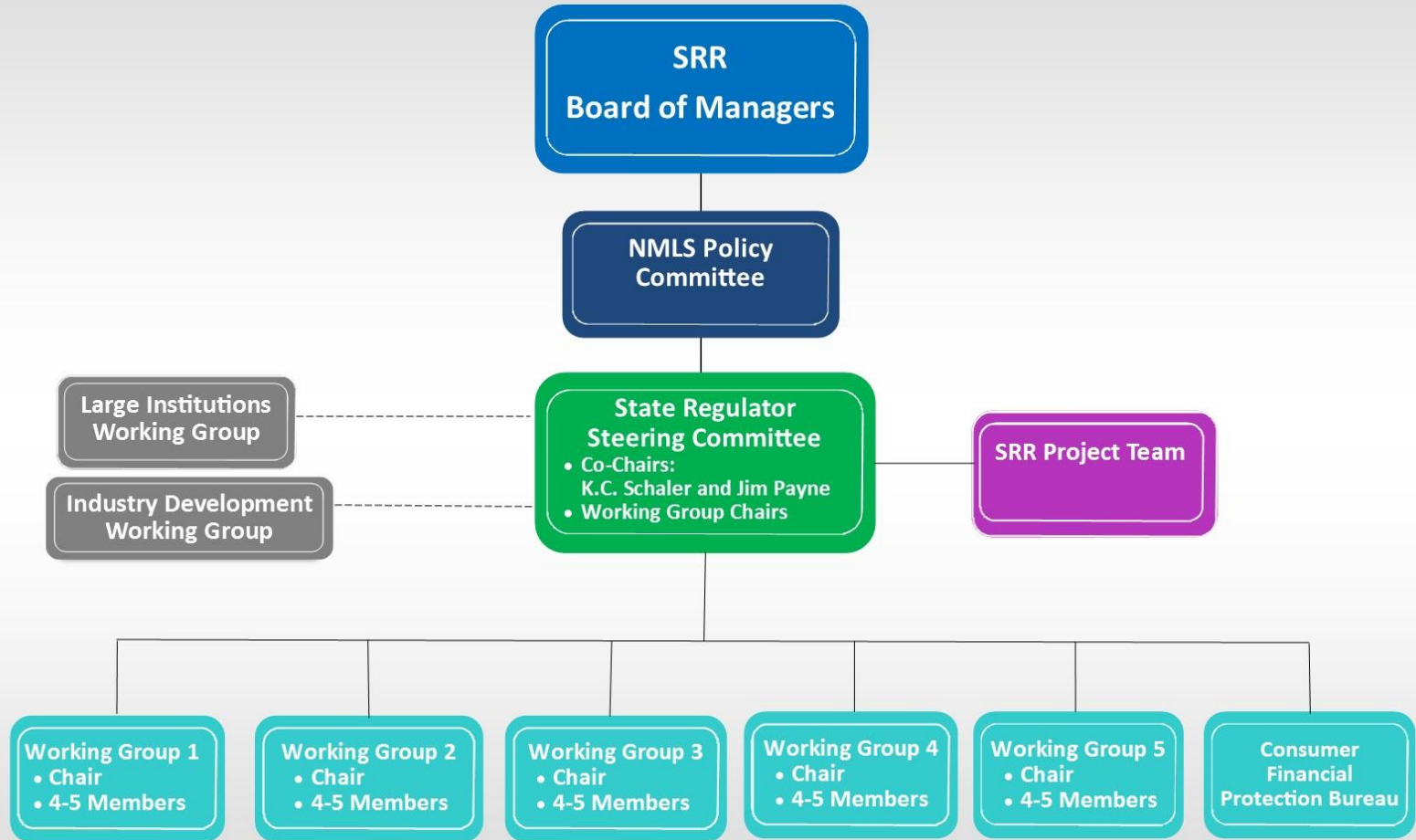
MLO License Application Timelines by Year

		Number of days to approve application							
Year	Licenses Processed	Average days	Median days	0-7	8-14	15-29	30-59	60-89	90+
2011	52,579	31.3	19	8.0%	12.4%	14.3%	9.7%	3.2%	3.3%
2012	72,704	29.3	17	15.9%	23.2%	24.0%	15.1%	4.4%	4.8%
2013	111,121	29.7	18	14.2%	23.7%	24.3%	17.5%	4.8%	4.9%
2014	101,240	27.3	16	15.6%	26.0%	25.9%	16.0%	4.5%	4.0%
2015	121,922	25.2	15	19.3%	25.7%	24.5%	16.1%	3.9%	3.4%



2.0 GOVERNANCE PROCESS AND STAKEHOLDER ENGAGEMENT

NMLS 2.0 Governance Process



NMLS 2.0 Steering Committee

Mick Campbell

*Supervisor of Mortgage Licensing
Missouri Division of Finance
Jefferson City, MO*

Valerie Carbone

*Counsel
Massachusetts Division of Banks
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Felicia Faison-Holmes

*Director, Non-Depository Financial Institutions
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Bob Mednikov

*Assistant Deputy Commissioner
Virginia Bureau of Financial Institutions
Richmond, VA*

Chris Romano

*Non-Depository Bureau Chief
Montana Division of Banking & Financial Institutions
Helena, MT*

NMLS 2.0 Breakdown by Function

- Elements of the System have been categorized into 5 groups
- Determined by complexity, available resources
- Working Groups will be active in waves

- e.g. Group 1:
 - Application Submission and Maintenance
 - Entity Affiliation
 - Authority Management
 - Accounting & Invoicing
 - Advance Change Notice

Stakeholder Input

Communication tools

- Website (dedicated pages on NMLS Resource Center)
- Surveys
- News and Alerts
- Webinars
- Conferences
- Dedicated email box



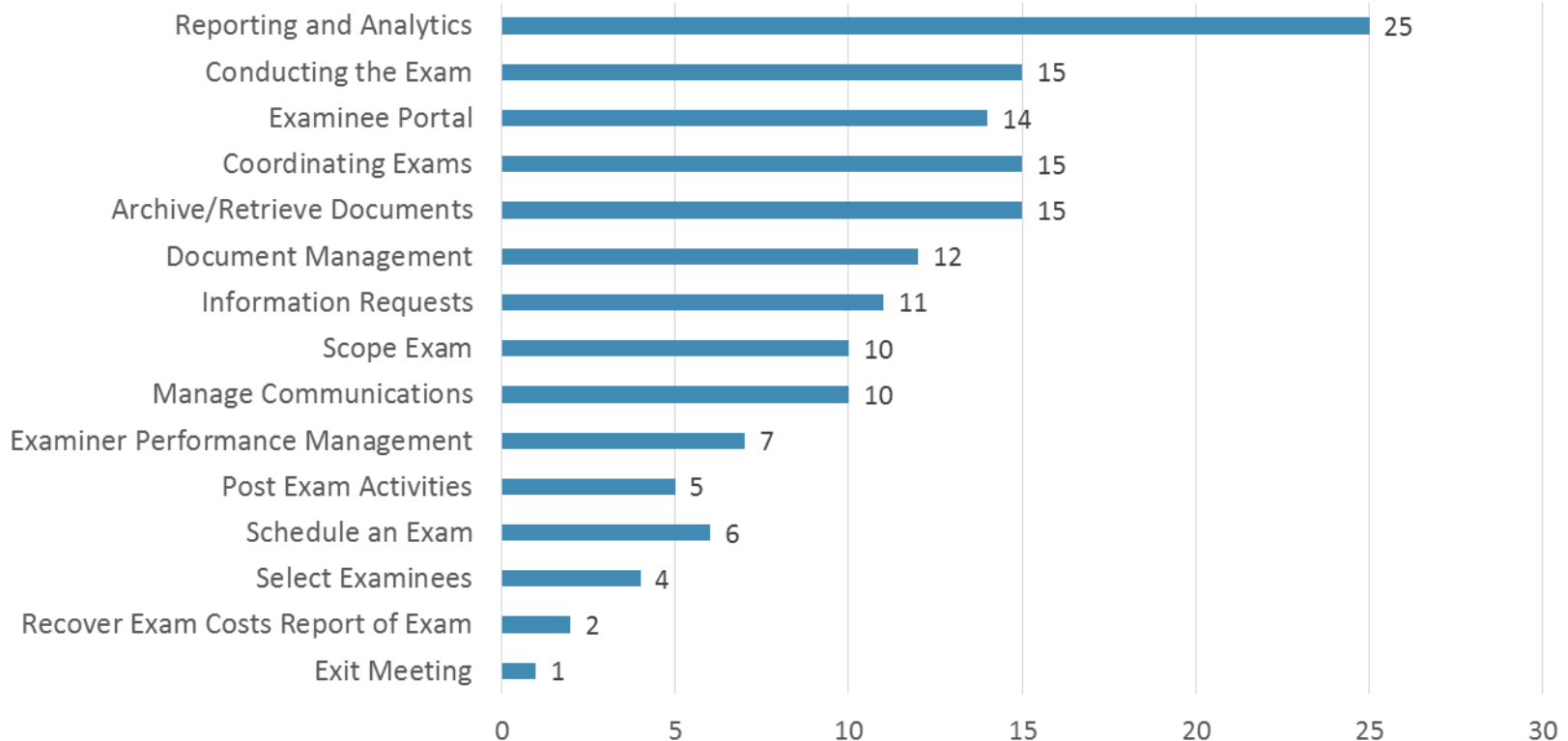
EXAMINATION MANAGEMENT TOOL SUITE

Exam Management Tool Suite

- In an initial 2014 survey, 64% of state agencies did not utilize an exam management application
- In response to a 2015 survey, 41 agencies were interested in using EMTS. Those agencies conducted 19,370 exams in 2015 and had 577 examiners
- States have been working in tandem with CFPB to ensure seamless exchange of information during exams.

State Agency Survey:

Given the proposed functional features to be offered please identify three to five features that will add the most value to your agency's examination process.

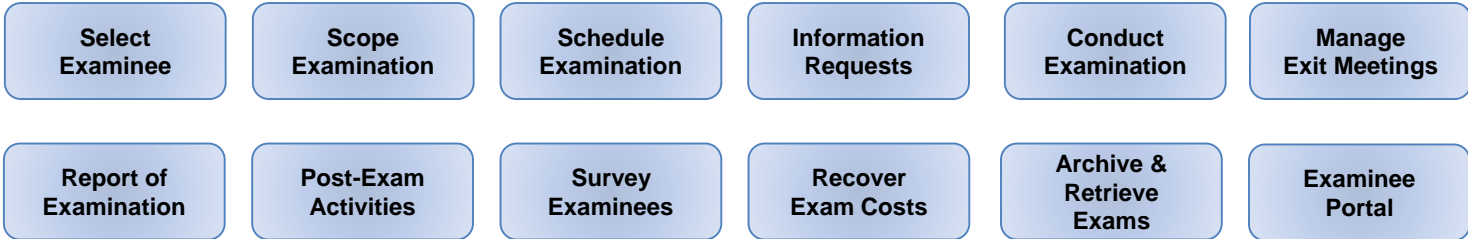




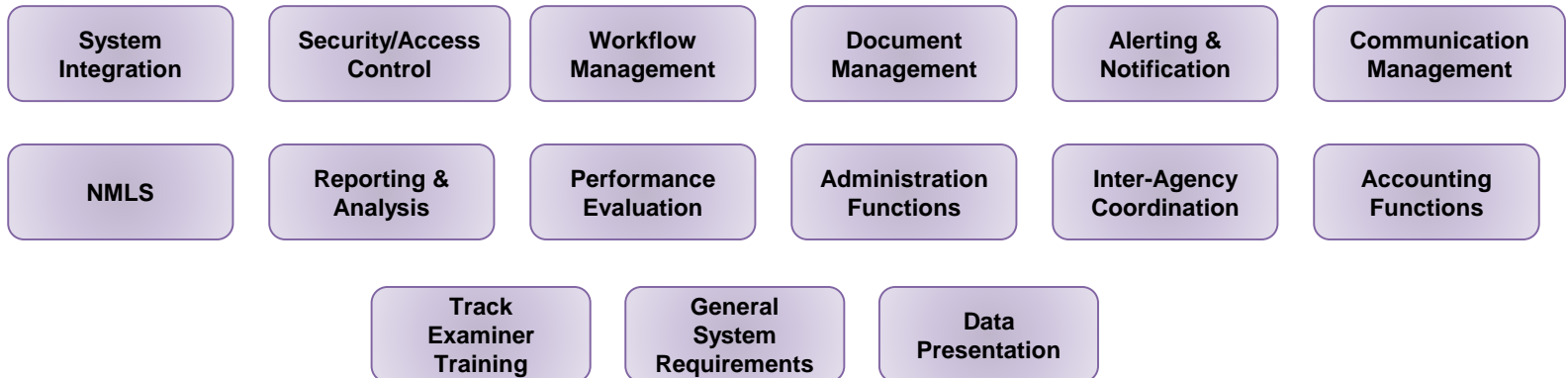
EXAMINATION MANAGEMENT TOOL SUITE

SYSTEM FUNCTIONAL COMPONENTS

CORE EXAMINATION MANAGEMENT FUNCTIONS



SUPPORTING FUNCTIONS & SYSTEMS





NMLS: STATE OF THE SYSTEM

Bob Entringer

Commissioner, North Dakota Department of
Financial Institutions

Chair, SRR Board of Managers

NMLS State Participation

- 62 state agencies manage 600 license authorities through NMLS
- 11 state agencies planning on managing 27 additional license authorities in the next year
- State manage 2,373 checklists (license transition, license application, amendments, and license surrender requirements) housed on the NMLS Resource Center

Licensing, Registration, and Professional Standards Activity

State Licensing Activities	2014	2015	% Change
New Application Request	133,765	157,798	18%
Renewal Request	365,998	431,681	18%
Change of Sponsorship Request	57,003	57,532	1%
Federal Registration Activities	2014	2015	
New Registration Request	78,707	80,300	2%
Renewal Request	374,512	386,635	3%
Change of Employment Request	38,158	37,431	-2%
Professional Standards	2014	2015	
Credit Report	110,006	110,533	0%
Background Check	230,685	236,452	2%
Test	102,861	83,228	-19%
Education Hours	1,764,436	2,091,024	19%

Count of State Entities and Licenses in NMLS

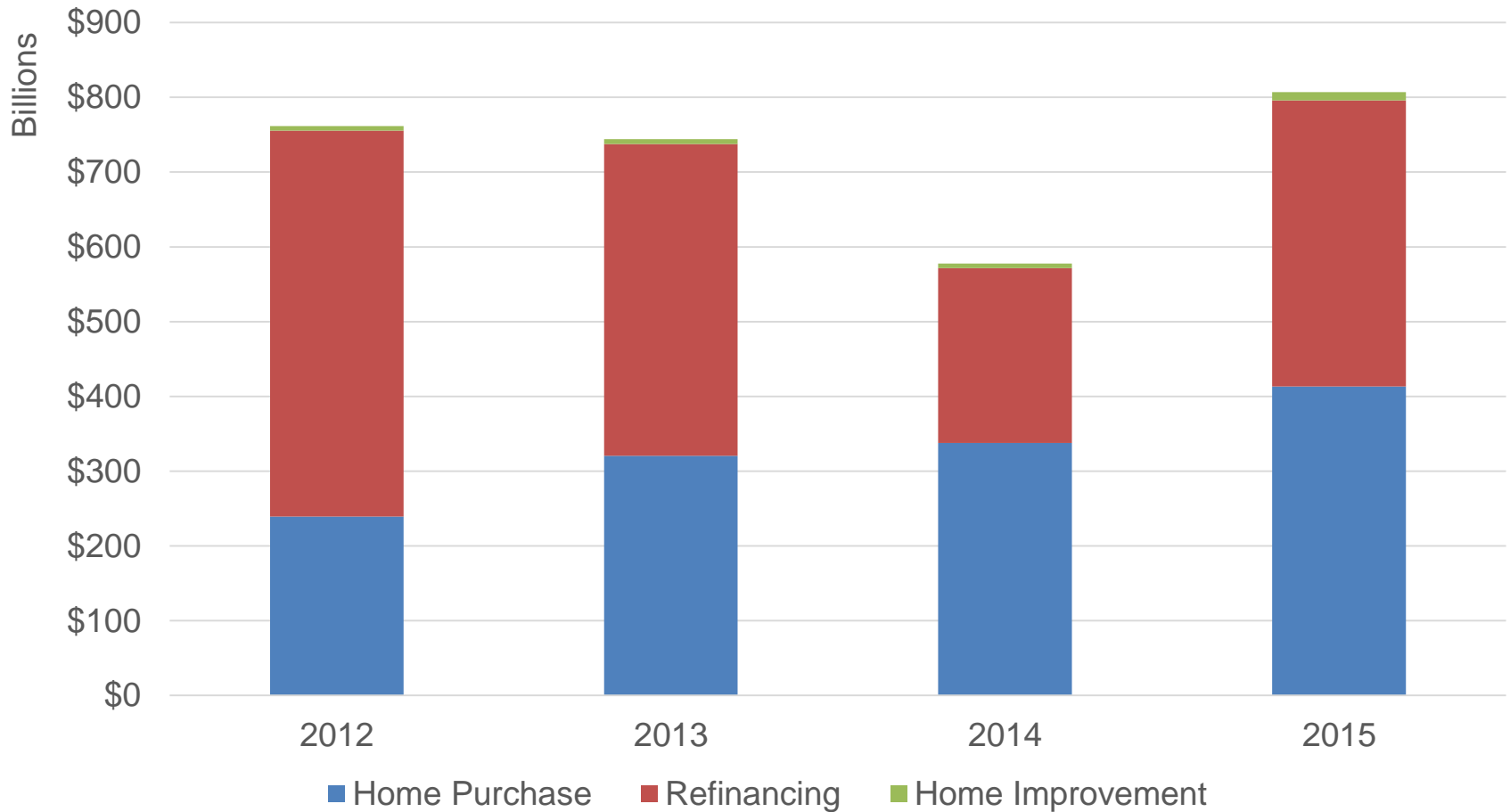
	2013		2014		2015		2013-2015
State licensed	Entities	Licenses	Entities	Licenses	Entities	Licenses	% Change Licenses
Companies	18,993	39,903	19,882	44,020	20,440	47,688	20%
Branches	23,467	43,066	25,583	49,904	26,655	56,402	31%
MLOs	130,311	331,351	131,725	359,992	135,016	408,542	23%

Trends in the Mortgage Industry

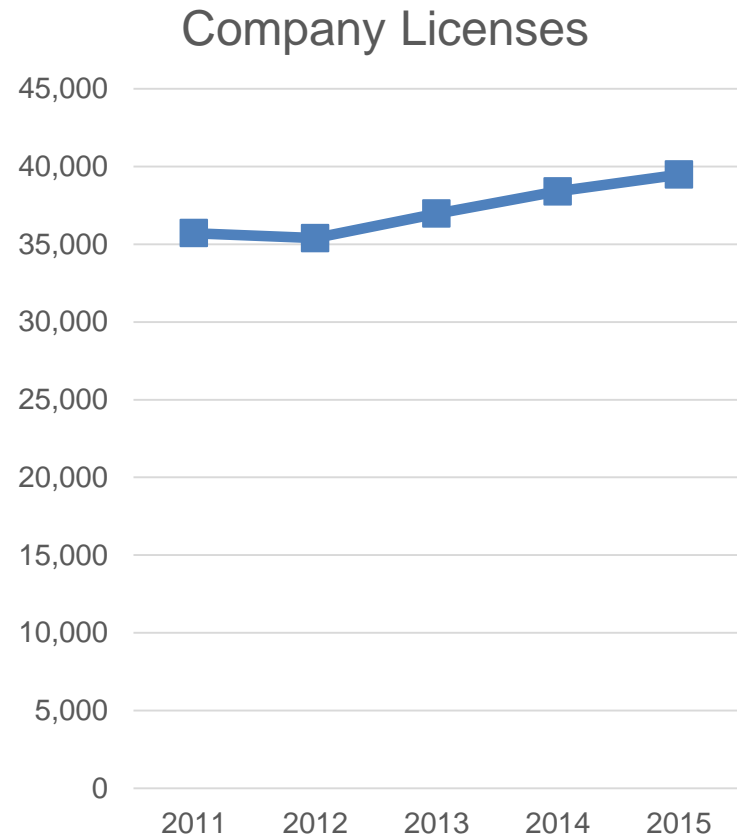
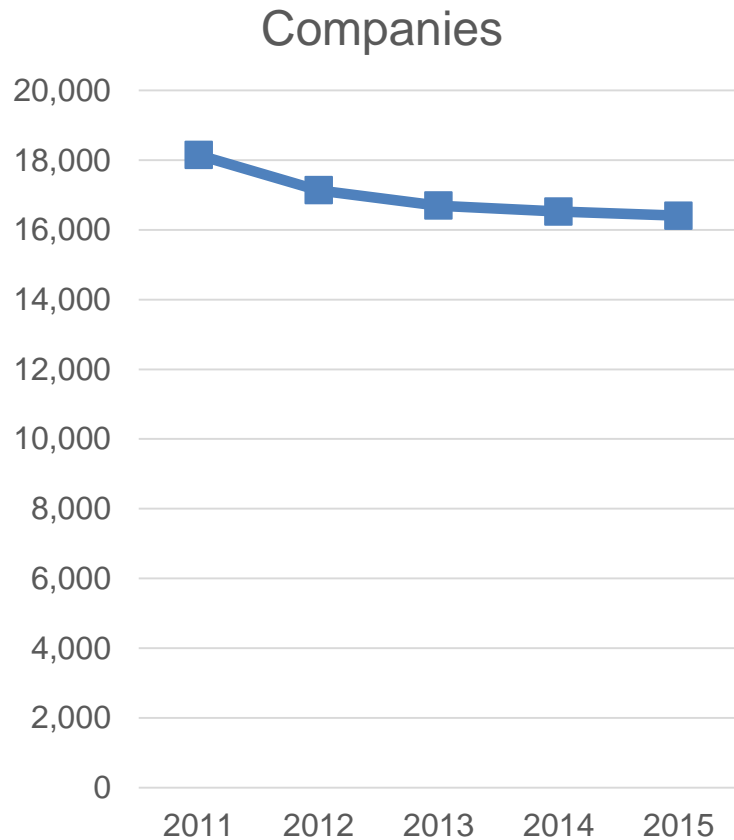
- Non-depository
 - Fewer companies, more territory
 - Call centers
 - MLOs on the rise
 - Home purchase growth
- Depository
 - Steady registrations

Home purchase growth

Loans Originated by Purpose by Year

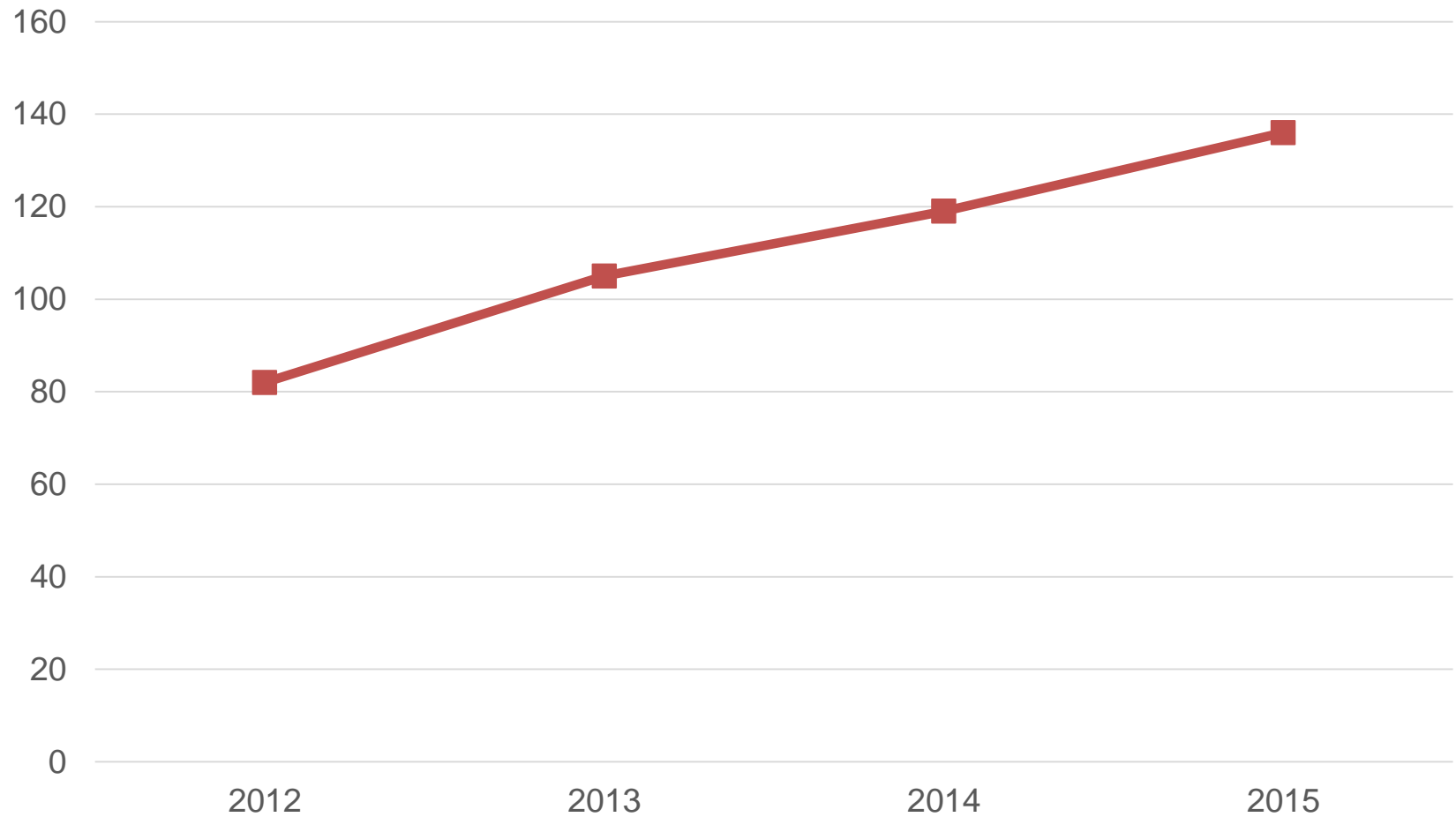


Fewer companies, more territory



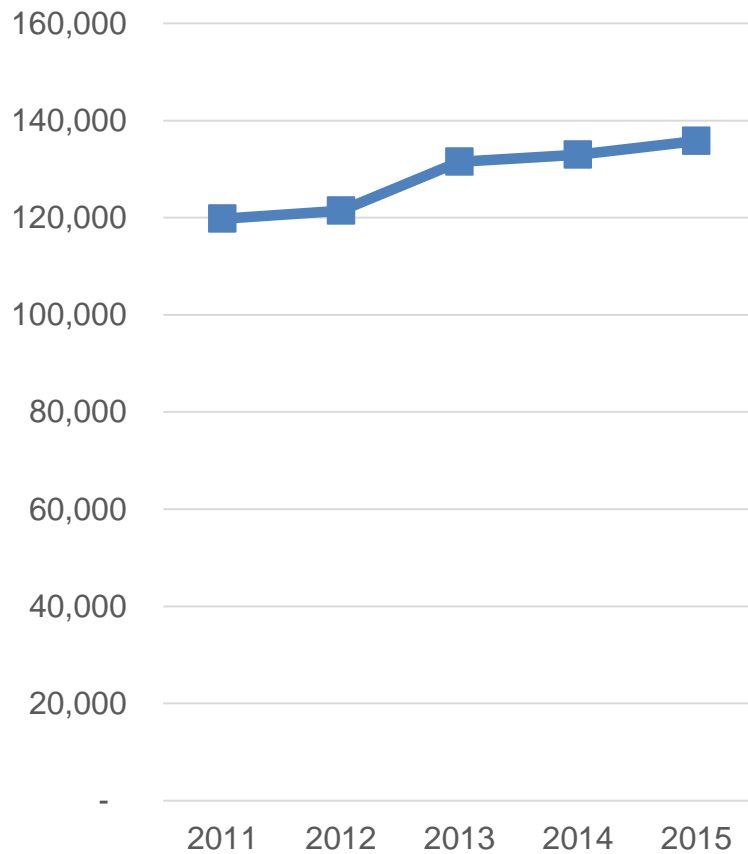
Call Center Business Model

Companies in NMLS with MLOs who hold 5+ licenses

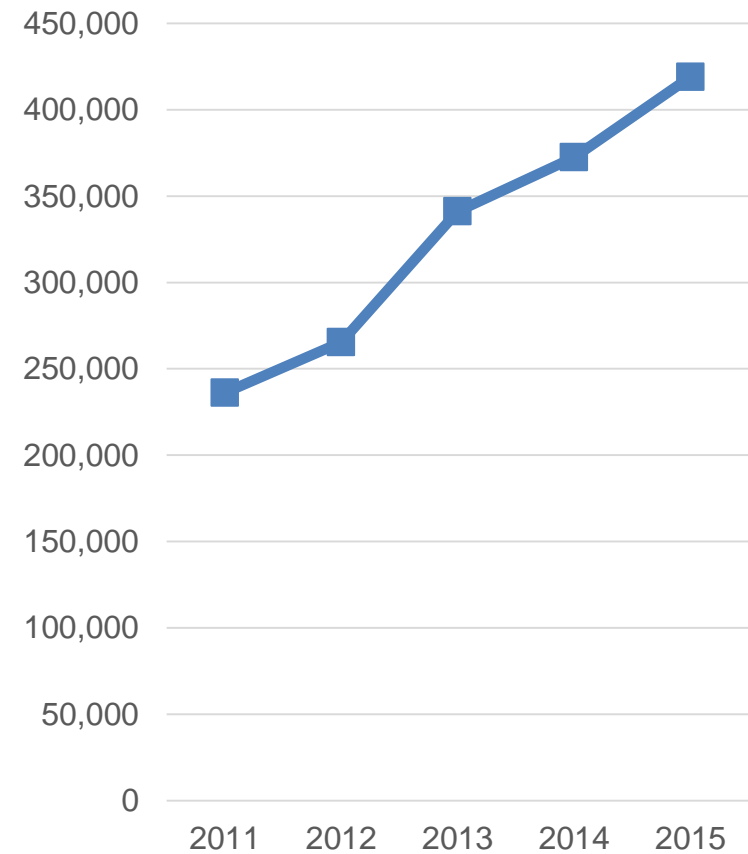


MLOs on the rise

MLOs

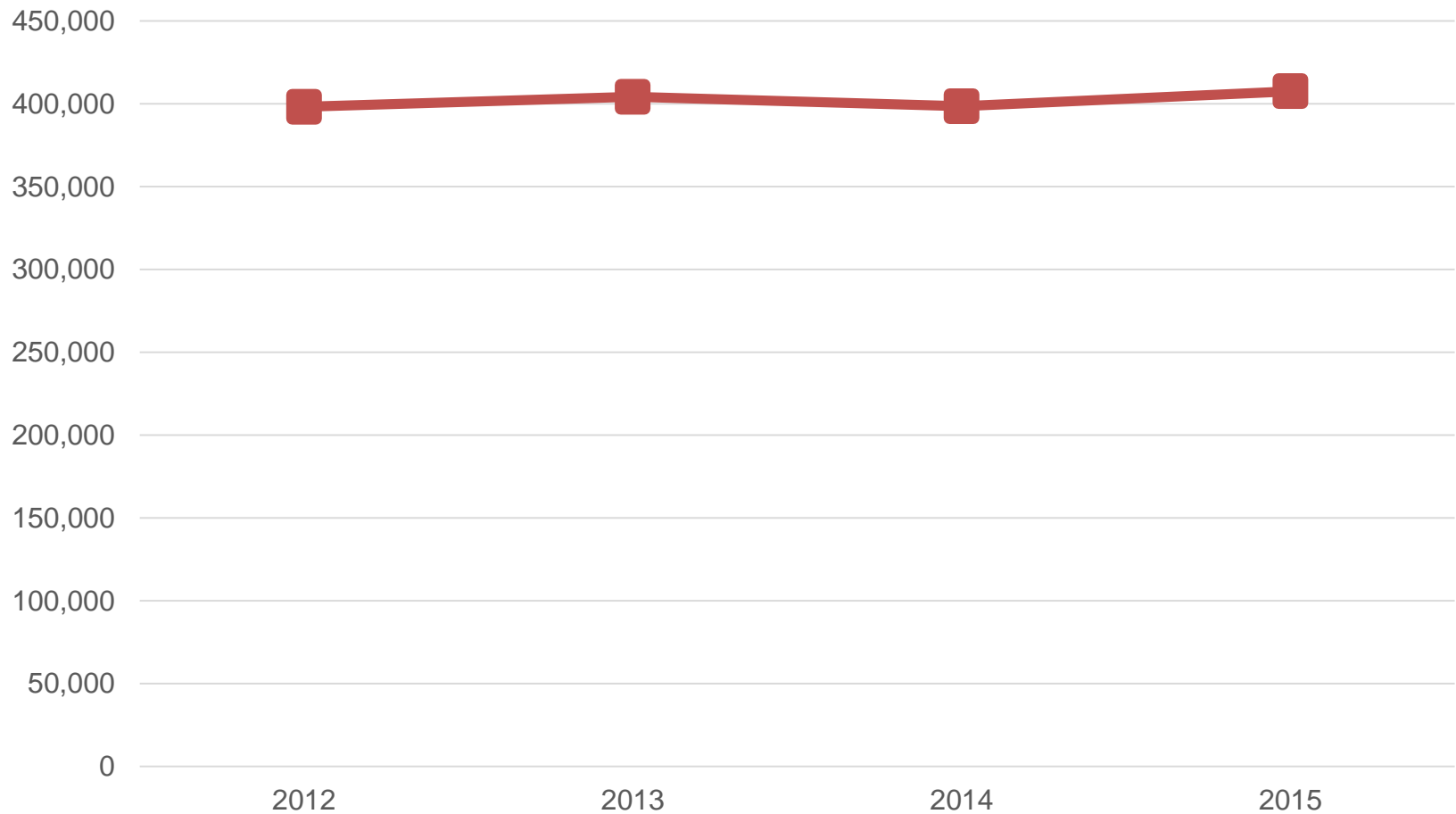


MLO Licenses



Steady Federal Registrations

Federally Registered MLOs



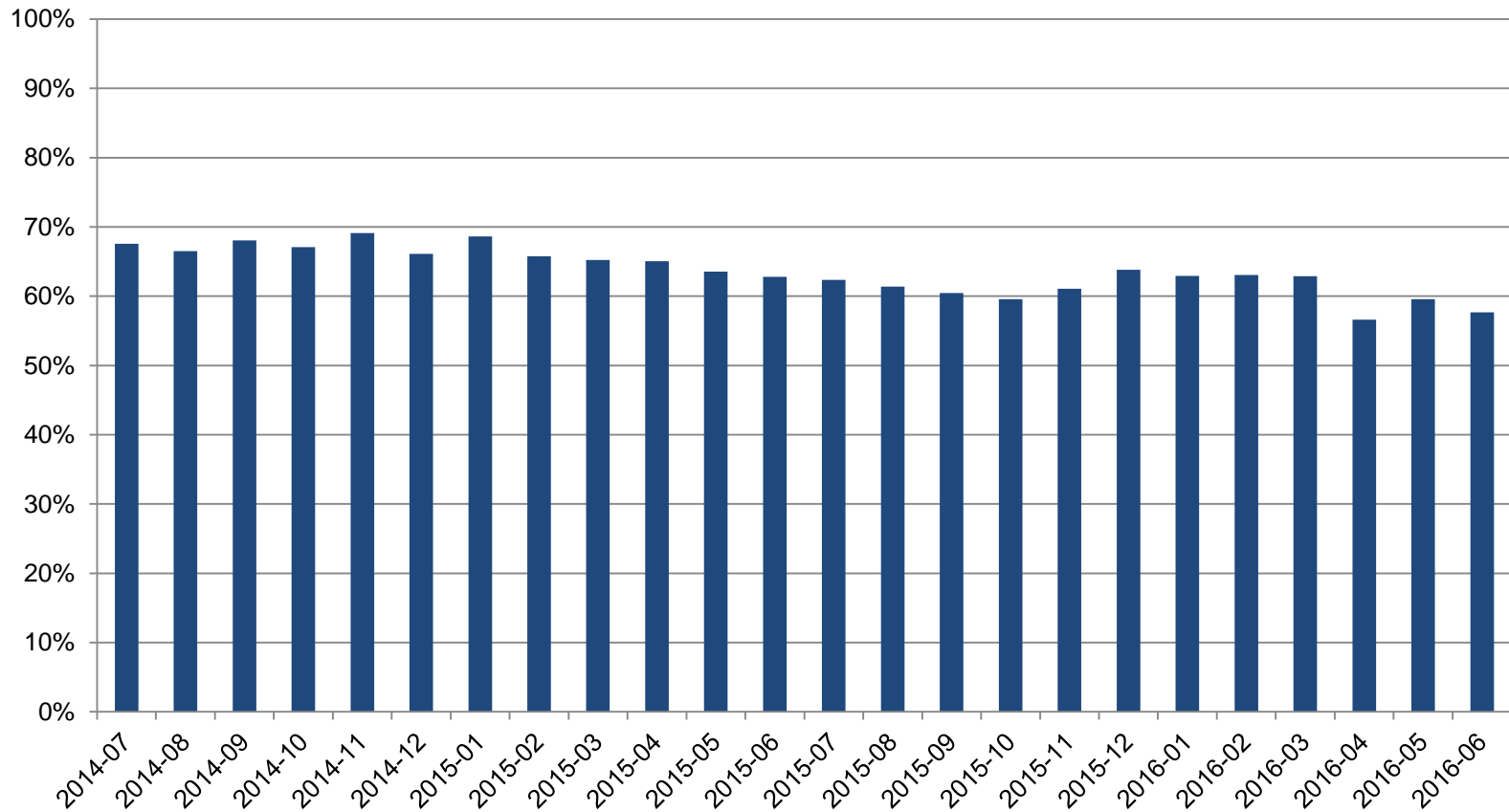
MLO Test Enrollments

Test Enrollment			
	2015 Total	2016 YTD	2016 Projected
National w UST	42,761	24,317	48,634
State Tests	40,973	12,238	24,476
Stand-alone UST*	N/A	NA	NA
TOTAL	83,734	36,555	73,110

**retired from enrollment as of 3-31-14*

First-time Pass Rate

National with UST First-Attempt Pass Rate for the Trailing 24 Months



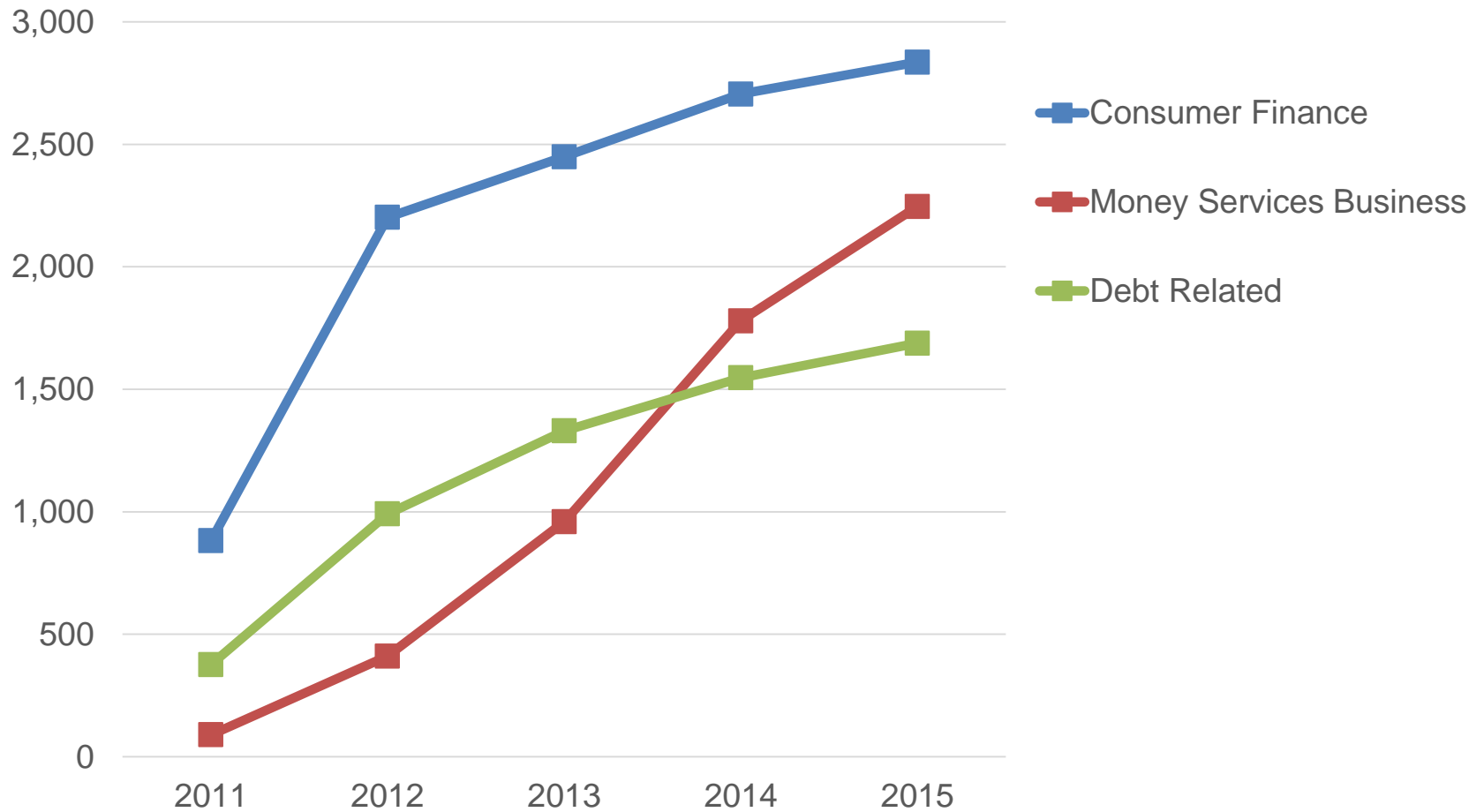
MLO Test Pass Rates

National with Uniform State Content Pass Rates July 1, 2014 through June 30, 2016

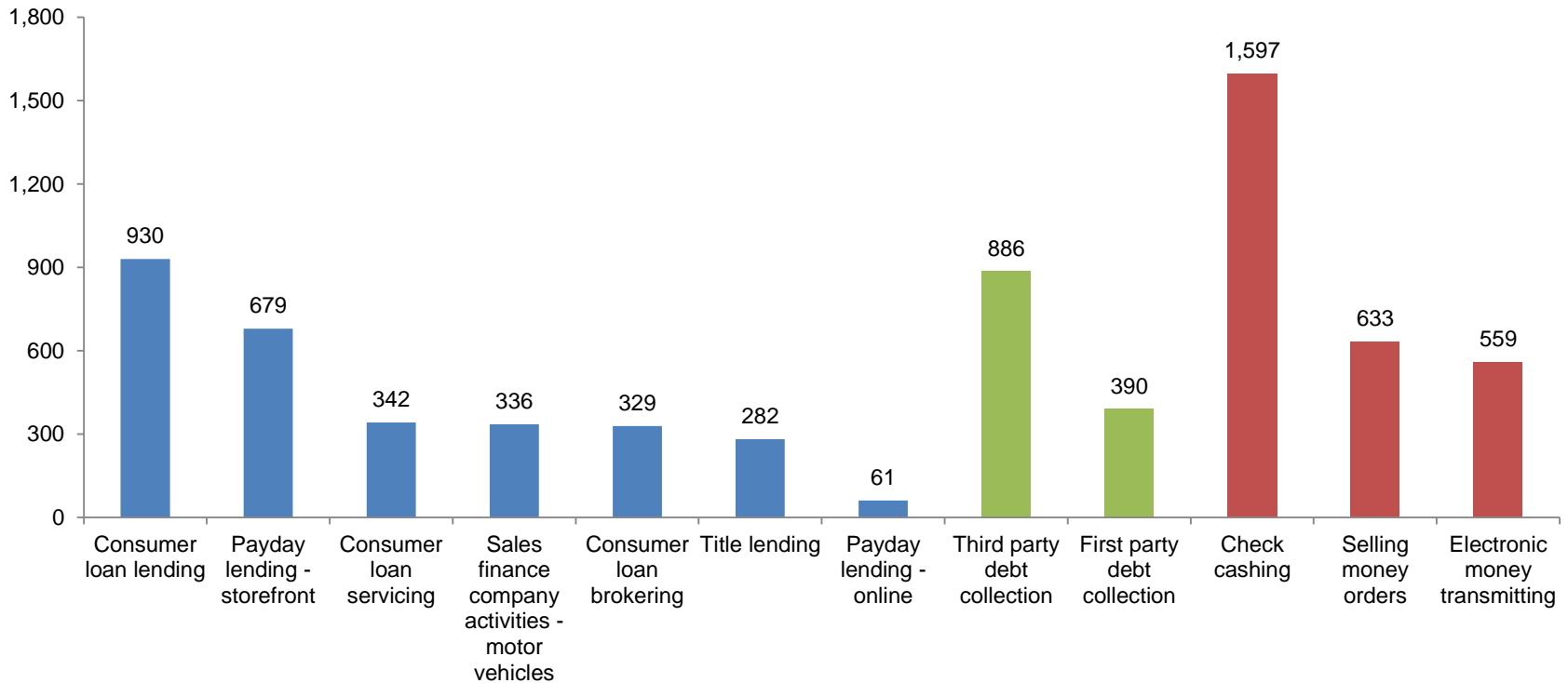
	Tests Taken	Tests Passed	Pass Rate
First Time	54,070	34,189	63%
Subsequent Attempts	18,810	8,465	45%
Overall	72,880	42,654	59%
	Candidates	Candidates Passed	Pass Rate by Individual
All Attempts	56,228	42,636	76%

NMLS expansion

Companies in NMLS by Industry by Year



Consumer Finance, Debt, MSB on NMLS



Consumer Finance

Debt

Money Services

MSB Licenses in NMLS

- 34 state agencies manage MSB licenses on NMLS
- 1,843 companies in NMLS holding 4,134 MSB licenses

MSB Activities Include

Money transmission	Check cashing
Issue/sell travelers checks	Issue/sell money order
Bill paying	Transporting currency
Issue/sell prepaid access/stored value	

MSB Licenses in NMLS

- Money Transmitters in NMLS:
 - Companies: 284
 - Total state licenses held: 2,474
 - 62% of the companies are licensed in more than one state
 - 81 companies are licensed in more than 10 states
 - 166 companies are currently reporting 206,824 Active Authorized Agent relationships in NMLS, and 90 companies are reporting no agents used
 - NMLS contains 142,250 Active Agent Locations, with 35,995 used by multiple principals
 - Nine companies have uploaded over 5,000 agents

Consumer Finance Licenses in NMLS

- 20 “Consumer Finance” business activity definitions in NMLS
- 25 agencies manage a consumer finance license on NMLS
- 12 state agencies license payday lenders in NMLS

CFPB Request for Information

- In late July, CFPB released a RFI:
 - “Non-Bank Financial Registration System for CFBP”
 - Gathering information on existing systems
 - Next step for CFPB: Proposed Rule on Registration of Non-Bank Entities under CFPB supervisory purview

NMLS Resources

- Call Center
- Training Guides on Resource Center
- Ombudsman
- Consumer Access
- Annual Report
- Quarterly Report



9th Annual Conference
February 13-16
Austin, Texas | Hilton Austin