



CSBS/AARMR Nationwide Mortgage Licensing System

Improving Supervision of the Mortgage Industry through Collaboration and Technology

In order to protect their citizens and bring greater accountability and transparency to the mortgage industry, state mortgage regulators have been working together since 2004 to develop the Nationwide Mortgage Licensing System (“The System”). The System will increase and centralize information available to state regulators, the mortgage industry and the general public about the people and companies that originate and make home mortgages.

Supervision of the mortgage industry began at the state level and, last year alone, state mortgage regulators took over 3,500 enforcement actions against mortgage companies and professionals. The modern evolution of the mortgage industry and the increased importance of protecting consumers and neighborhoods, though, are signs that states’ historic role demands new tools and authorities.

Building a Modern System of Oversight for the Mortgage Industry

State regulators have worked through their professional organizations, the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR), to develop four uniform mortgage licensing forms that gather comprehensive information about mortgage lenders, bankers, and brokers, as well as these companies’ owners and executive officers, branches, and loan officers:

- Uniform Mortgage Lender/Mortgage Broker Form (Form MU1)
- Uniform Mortgage Biographical Statement & Consent Form (Form MU2)
- Uniform Mortgage Branch Office Form (Form MU3)
- Uniform Individual Mortgage License/Registration & Consent Form (Form MU4)

Starting in January 2008, each state licensed mortgage lender, banker, and broker company will be able to electronically complete a *single* Form MU1 (regardless of the number of states they are licensed in) and each of their owners and executive officers will be able to complete a *single* Form MU2 (regardless of the number of companies they are affiliated with). This information will be housed in a centralized database available to state mortgage regulators. Licensees will be able to electronically access their own record over a secure website to make amendments, renew their licenses, or apply for a new license.

Likewise, each mortgage company branch and each loan officer will electronically complete a *single* Form MU3 or Form MU4 (respectively) for use in those states that require branch and/or loan officer licensing.

Increasing Transparency and Accountability in the Mortgage Industry

As each mortgage company, owner or executive officer, branch and loan officer completes a record for themselves and submits it to their regulator, the Nationwide Mortgage Licensing System will assign that record a unique identifying number. This number will be permanently assigned to the entity or person in perpetuity and will allow state regulators to definitively track companies and persons across states and over time.

Additionally, consumers and the mortgage industry will be able to check on the license status and license history of the companies and/or persons with which they wish to do business.

The Status of the Nationwide Mortgage Licensing System

As of July 2007, 35 state agencies have signed onto a Statement of Intent indicating their commitment to participate in the CSBS/AARMR Nationwide Mortgage Licensing System. The System will begin operations on January 2, 2008. It is expected that 4-6 state agencies will begin using the System on approximately a quarterly basis during 2008 and 2009. Each state will individually announce its participation date and communicate with licensees in advance of its participation in the System.

In 2005, CSBS and AARMR formed a Residential Mortgage Regulator Taskforce (RMRT) that has met monthly to create the uniform applications and discuss functionality and regulatory matters that are being incorporated into the System. Currently, twelve states are using the MU Forms in paper format.

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

In September 2006, CSBS formed a wholly owned operating subsidiary called the State Regulatory Registry LLC (SRR) to develop and operate the System. SRR is governed by a Board of Managers comprised of five state mortgage regulators that are members of CSBS and AARMR. In March 2007, the SRR Board of Managers amended the operating agreement to create a Mortgage Advisory Council comprised of industry companies and associations. The purpose of the Mortgage Advisory Council is to advise and assist the SRR Board of Managers by providing substantive input on appropriate areas of SRR activities.

Raising Standards and Garnering Efficiencies

A result of states' collaborative efforts in building the Nationwide Mortgage Licensing System is the raising and standardizing of licensing requirements. In adopting the uniform forms, states have consolidated their requirements- accepting higher reporting standards incorporated into the forms and eliminating unnecessary requirements. Additionally, states are increasingly expanding their authority to conduct criminal background checks on their licensees.

Additionally, the SRR announced in the Fall of 2006 an initiative to improve and standardize educational and testing requirements across states. The initiative, named the Mortgage Industry Nationwide Uniform Testing and Education System (MINUTES), is a complementary initiative of the Nationwide Mortgage Licensing System that will increase standardization of educational and testing requirements and improve compliance.

More information about the Nationwide Mortgage Licensing System can be found at: www.csbs.org

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

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