

## **Nebraska Department of Banking and Finance Installment Loan License Transition to NMLS**

The Nebraska Department of Banking and Finance ("Department") is pleased to announce that it will begin licensing mortgage loan originators ("MLO(s)") in 2010. LB 328 became effective on April 23, 2009, in order to bring the mortgage licensing laws of the State of Nebraska into compliance with the federal *Secure and Fair Enforcement for Mortgage Licensing Act of 2008* ("SAFE Act"). The SAFE Act requires all states to pass mortgage licensing laws and regulations that meet or exceed certain national standards. More information about the SAFE Act can be found here:

<http://www.csbs.org/AM/Template.cfm?Section=SAFE Act>.

Under LB 328, all individuals meeting the definition of a MLO must meet new licensing requirements that are in compliance with the SAFE Act. In addition, MLOs must be licensed through the Nationwide Mortgage Licensing System ("NMLS") which has established the NMLS Resource Center website ("NMLS Resource Center") at <http://mortgage.nationwidelicensingsystem.org/Pages/default.aspx>.

To accommodate the licensing of MLOs who originate residential mortgage loans for Installment Loan Companies, LB 328 requires that the Department transition the Installment Loan License onto the NMLS effective with the 2010 renewal process. All applications, amendments, and renewals are required to be submitted to the Department via the NMLS. By using the NMLS, an installment loan company will be able to sponsor and manage the MLO licenses held by its employees.

### **Transition Timeframe**

The Department will begin accepting Installment Loan License Applications via the NMLS on January 4, 2010. Prior to that time, you may create an account on the NMLS, complete the required forms, and save the forms on the NMLS. On or after January 4, 2010, you may login to the NMLS and submit the previously saved forms to the Department and send the Department any items required by the jurisdiction specific checklist for Nebraska Installment Loan License Transition.

The NMLS utilizes a uniform renewal date of December 31<sup>st</sup> of each year. Therefore, to correspond with the NMLS renewal date, the Department will issue a renewal license which will expire on December 31, 2010. The renewal fees will be prorated such that the fee for renewing the license for 2010 will be \$208.33 instead of the normal \$250.00 to reflect that the license will only be in effect for 10 months.

**All licensees must transition their license onto NMLS and submit any jurisdiction specific documentation on or before February 28, 2010. Failure to do so will result in the expiration of your Installment Loan License(s).**

### **Required Forms**

The NMLS has created uniform forms for use on the NMLS. The Form MU1 requires the applicant to submit information concerning the corporate entity that holds the license. The Form MU3 requires the applicant to submit information concerning each branch office of the licensee.

In order to accommodate licensing through the NMLS, the Department will require that each licensee submit a Form MU1 providing the required information concerning the corporate entity that holds the license. There will be no Department fee associated with the submission of the Form MU1; the only fee that will be charged is a \$100.00 NMLS processing fee.

If you currently hold a mortgage banker license, you do not need to create a new Form MU1. However, you will need to apply for the Installment Loan License which will use the same Form MU1 that you had previously created. You will therefore hold both a mortgage banker license and an installment loan license utilizing the same Form MU1.

In addition, the licensee must submit a Form MU3 for each location from which it conducts business in Nebraska, including the same location listed on the Form MU1, if applicable. The renewal fee of \$208.33 will apply to each Form MU3 submitted through the NMLS. In addition, there will be a \$20.00 NMLS processing fee per Form MU3.

In order to distinguish between the license types on the NMLS, the NMLS will be referring to an "Installment Loan License" and an "Installment Loan Branch License". The Installment Loan License is the Form MU1 which is required to be submitted for each licensee; and the Installment Loan Branch License refers to the Form MU3, one of which must be submitted for each location from which you conduct business in Nebraska.

In order to transition onto the system, you will need to use the license number printed on your license. When you click on the Installment Loan License tab, it will ask you whether you are applying for a new license or transitioning an existing license onto NMLS. You would check the "transition" box and then you will be prompted to enter your license number. If you have more than one license, any of your license numbers may be entered into this box.

Similarly, when you click on the Installment Loan Branch License tab, it will ask you whether you are applying for a new license or transitioning an existing license onto NMLS. You would check the "transition" box and then you will be prompted to enter your license number. You would then enter the license number of the location that you are transitioning onto NMLS.

In order to renew all of the licenses that you currently hold, you will need to submit a Form MU1 to the Department and a Form MU3 for all of the locations that are currently licensed.

### **Annual Report**

As in past years, the Department will be requiring the submission of an annual report as part of the renewal process. For this renewal period the format of the annual report will not change from what was used in past years. The annual report template will be available on the Department's website and via link from the NMLS. The submission of the annual report should be made in electronic format to [dob.consumerfinance@nebraska.gov](mailto:dob.consumerfinance@nebraska.gov).

### **NMLS Call Report**

The SAFE Act requires that the Department obtain a call report regarding mortgage lenders licensed by the Department. As installment loan companies are authorized to originate mortgage loans, the call report requirement has been extended to installment loan companies. The NMLS Mortgage Call Report is a statement of condition on the company and its operations including financial statements and production activity volumes reported on a per state basis. It is anticipated that the first call report will be collected in early 2011 based upon 2010 data. The Department anticipates that the financial statements will be filed as part of the mortgage call report, and therefore beginning in 2011, financial statements will be submitted as part of the mortgage call report. Additional information concerning the NMLS Mortgage Call Report will be provided at a later date.

**Surety bond**

The SAFE Act required that states establish surety bond amounts which reflected the volume of mortgage loans that the licensee originates in that state. Therefore, LB 328 amended the surety bond requirements for installment loan companies to tie the surety bond amount to their residential mortgage loan volume as shown in the mortgage call report.

The previous surety bond requirement for installment loan companies required that each licensed location have a \$50,000.00 surety bond. The Department did realize that requiring a scalable bond at each location would create additional burdens upon licensees and potentially result in a significant increase in the surety bond requirement. LB 328 therefore created a multi-tiered surety bond system to minimize the impact upon installment loan companies while meeting the requirements established in the SAFE Act. These requirements are as follows:

1. Installment Loan licensees who do not sponsor MLO licenses have no change in the amount of their surety bond.
2. Installment Loan licensees with one licensed location in Nebraska and who do sponsor MLOs shall post a surety bond based upon the following table:

Dollar Amount of Closed Residential Mortgage Loans	Surety Bond Required
\$0.00 to \$5,000,000.00	\$100,000.00
\$5,000,000.01 to \$10,000,000.00	\$125,000.00
\$10,000,000.01 to \$25,000,000.00	\$150,000.00
Over \$25,000,000.00	\$200,000.00

3. Installment Loan licensees with more than one licensed location in Nebraska shall be required to post a supplemental surety bond in the amount required in paragraph 2 above based upon their loan volume. This supplemental surety bond shall cover all licensed locations. The use of a scalable supplemental surety bond allows the Department to fulfill its requirements under the SAFE Act without requiring the licensee to provide residential mortgage loan origination volume information by location and without a major increase in the amount of the surety bonds posted by licensees with multiple locations.

4. An Installment Loan licensee that also holds a mortgage banker license may use their mortgage banker bond in lieu of the supplemental surety bond in paragraph 3. In order to use the mortgage banker bond, the licensee must provide proof satisfactory to the Department that the mortgage banker bond would apply to all residential mortgage loans regardless of whether the entity originated the loan pursuant to the mortgage banker license or installment loan license.

The Department is currently reviewing the existing surety bond forms to determine if changes are required. The Department will provide information about any such changes in the future.

### **Mortgage Loan Originators**

As required by the SAFE Act and LB 328, the department will begin to license residential MLOs in 2010. All MLOs who do business in Nebraska after July 30, 2010 will need to be licensed.

The Department has prepared a separate implementation plan which describes the requirements that a MLO must complete to obtain a license. In addition, the Department has prepared a set of Frequently Asked Questions concerning MLO licenses. Both documents are available at the Department's website, <http://www.ndbf.ne.gov/mb/index.shtml>. In addition, information about testing, education, and background checks is available at the NMLS Resource Center at the website listed above.

**MLOs are strongly encouraged to complete these requirements by June 1, 2010, to ensure that the Department has sufficient time to review the completed application. While the Department will use its best efforts to timely review applications submitted after June 1, 2010, the Department will not guarantee that it will be able to review such applications prior to July 30, 2010, due to the anticipated high volume of applications.**

### **Questions**

If you have any questions, please refer to the NMLS Resource Center website listed above. In addition, the Department's website, [www.ndbf.ne.gov](http://www.ndbf.ne.gov) will be updated with additional information as it becomes available.