

# **TRANSITION TO THE NMLS**



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## **TEXAS DEPARTMENT OF SAVINGS & MORTGAGE LENDING**

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Director of Licensing  
March 9, 2010

## My objective today is to . . .



- Explain NMLSR and its filing forms
- Discuss the new licensing types
- Explain licensing requirements
  - Education
  - Testing
  - Background Checks
  - Other
- Review timeframes that need to be met
- Display SML and NMLS fees
- Answer as many questions as possible!



## NATIONWIDE MORTGAGE LICENSING SYSTEM & REGISTRY (NMLSR)


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### ■ LICENSING

- Licensing and/or registration of residential mortgage loan originators
- Not depository institution employees
- Companies & individuals regulated by state regulators

### ■ REGISTRY

- Registration of residential mortgage loan originators
- Depository institution employees
- Institutions regulated by a Federal banking agency or Farm Credit Administration



## TRANSITION VS. NEW APPLICANT

|   |  |
|---|--|
| <ul style="list-style-type: none"><li data-bbox="505 327 846 646">■ <b>TRANSITION</b><ul style="list-style-type: none"><li data-bbox="545 380 846 646">■ Currently has an active or inactive license or registration with TX SML with an expiration date of 12/31/2010 or later when filing form(s) on the NMLS</li><li data-bbox="545 657 846 825">■ Must renew TX SML license first if expiration date is earlier than 12/31/2010</li></ul></li></ul> | <ul style="list-style-type: none"><li data-bbox="878 327 1203 825">■ <b>NEW</b><ul style="list-style-type: none"><li data-bbox="919 380 1203 825">■ Does <u>not</u> have an active or inactive license or registration with TX SML when filing form(s) on the NMLS</li></ul></li></ul> |
|---|--|

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## NMLS STRUCTURE

| FILING FORM | PURPOSE FOR FILING   |
|-------------|--|
| <b>MU1</b>  | Establishes a sole proprietorship, company, limited partnership, or limited liability company record |
| <b>MU2</b>  | Establishes a control person or direct/indirect owner record   |
| <b>MU3</b>  | Establishes a branch record  |
| <b>MU4</b>  | Establishes an individual record   |

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## NMLS STRUCTURE

- All application filings are done online through the NMLS
- Licensees manage their own records; SML staff has no access capability to add, modify, or delete information on the MU filings created by the licensee
- Fees are collected through the NMLS and are non-refundable and non-transferrable

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## NMLS STRUCTURE

- SML still makes the decisions regarding licensure
- This is **NOT** a federal license but is the same state-issued license you have received in the past
- So what changed?
  - Licensing records no longer stored on SML system though SML still “owns” the data
  - HUD has given NMLS staff responsibilities to implement certain provisions of SAFE

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## WHAT DOES TRANSITION MEAN?



- Moving current licensing records from SML's database located in Austin to a database located in Rockville, MD
- NMLS database will ultimately house records from 62 jurisdictions
  - 50 states
  - Multiple regulatory authority within 5 states
  - District of Columbia
  - 6 U.S. Territories



## TX SML Licensing Types

- Mortgage Banker Registration
- Mortgage Company License
- Financial Services Company Registration
- Credit Union Subsidiary Organization License
- Auxiliary Mortgage Loan Activity Company License
- Independent Contractor Loan Processor / Underwriter Company License



## TX SML Licensing Types [1 of 6]

- Mortgage Banker Registration (MU1/MU2)
  - Mortgage Banker Branch Registration (MU3)
  - Mortgage Banker RMLO License (MU4)
- Must meet current Mortgage Banker definition in Finance Code Chapter 157
- RMLO applies only to “employees” of the Mortgage Banker [W-2]



## TX SML Licensing Types [2 of 6]

- Mortgage Company License (MU1/MU2)
  - Mortgage Company Branch License (MU3)
  - Mortgage Company RMLO License (MU4)
- Must meet current definition in Finance Code Chapter 156
- RMLO includes both employees and contracted loan originators [W-2 & MISC-1099]




## TX SML Licensing Types [3 of 6]

- Financial Services Company Registration (MU1/MU2)
  - Financial Services Company Exclusive Agent License (MU4)
- Must meet requirements defined in Finance Code Chapter 156
- Excluded from Recovery Fund; provides \$1M surety bond



## TX SML Licensing Types [4 of 6]

- Credit Union Subsidiary Organization License (MU1/MU2)
  - CUSO Branch License (MU3)
  - CUSO RMLO License (MU4)
- Must meet requirements in Finance Code Chapter 156 & Section 124.351(a)(1)
- SML handles licensing function and collects fees; passes 2/3 of RMLO fees collected to TCUD to manage complaints and examines.



## TX SML Licensing Types [5 of 6]

- Auxiliary Mortgage Loan Activity Company License (MU1/MU2)
  - Auxiliary Mortgage Loan Activity RMLO License (MU4)
- Includes:
  - Any political subdivision of Texas or the Federal government
  - Any organization that qualifies for the exemption from Texas franchise and sales tax as a 501(c)(3) organization

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## TX SML Licensing Types [6 of 6]

- Independent Contractor Loan Processor / Underwriter Company License (MU1/MU2)
  - Independent Contractor Loan Processor / Underwriter License (MU4)
- Meets requirement defined in Finance Code Chapter 180, Texas SAFE Licensing Act.
- Individual performs typical loan processing or underwriter activities but is not an employee of the licensee

## LICENSING REQUIREMENTS – EDUCATION



- Two Types of Education
  - Pre-licensing (PE)
  - Continuing education (CE)

## LICENSING REQUIREMENTS – EDUCATION

- Pre-licensing Education
  - MU4 applicants must have 20 hours of NMLS approved pre-licensing education banked on their NMLS record by course provider
  - Exception—
    - Current licensees (expiration date of 12/31/2010 or later) who have 20 hours of education (PE or CE) recorded on their SML licensing record can have those hours “certified”
      - Look-back period is 1/1/2004
      - Must submit MU4 prior to 8/31/2010
      - Certification will occur in September 2010

## LICENSING REQUIREMENTS – EDUCATION



- Continuing Education
  - Eight hours of continuing education every year taken during licensing term
  - **No** CE is required during the year a jurisdiction transitions to the NMLS
  - SML licensees will require 8 hours of CE during calendar year 2011 to renew a license for calendar year 2012
  - REMINDER: No dual licensure exemption!

## LICENSING REQUIREMENTS – NATIONAL TESTING

- MU4 applicants must pass the National Test
  - When?
    - RMLOs licensed by SML on or prior to 7/31/2009 must meet the requirement prior to renewing their license for 2011
    - RMLOs licensed by SML on or after 8/1/2009 must meet the requirement prior to submitting their MU4
  - Test results filed by test provider directly to the NMLS

## LICENSING REQUIREMENTS – STATE TESTING

- MU4 applicants must pass the Texas State Test
  - When?
    - Prior to submitting their MU4
  - How?
    - Current RMLO (aka MB/LO) Pre-Licensing Exam should be used until the NMLS version is available in mid-August 2010 [*Loan Officer Version*]
    - Current exam will be accepted until 8/31/2010
  - Test results from Pearson VUE will be uploaded to the NMLS by SML for certification

## WHAT DOES CERTIFICATION MEAN?

- Ability for SML to accept non-NMLS approved education as meeting the NMLS pre-licensure education requirement
- Ability for SML to accept current state pre-licensing examination as meeting the NMLS Texas state test requirement



## CERTIFICATION – EDUCATION

- Education
  - Any education (core, ethics, or CE) filed on your record with the SML can be approved as meeting the pre-licensing requirement of 20 hours of NMLS-approved education
    - Available **ONLY** to current SML licensees and registrants
    - Education certificates must be on file with SML (***posted to your record***) prior to 8/31/2010
    - You must file your MU4 prior to 8/31/2010 to be eligible for certification of your education records

# CERTIFICATION – EDUCATION



**TEXAS** DEPARTMENT OF SAVINGS & MORTGAGE LENDING

Louglas B. Foster  
Commissioner

## Certification Eligibility of Pre-Licensure Education

Residential mortgage loan originators (RMLOs) who hold an unexpired Texas SML license and who have completed 20 or more hours of Texas SML approved education (Core, Ethics, and/or Continuing Education) at the time they transition to the Nationwide Mortgage Licensing System (NMLS) may be certified by Texas SML as having fulfilled the pre-licensure education requirement under Chapter 180 of the Finance Code. The ability to certify one's record on the NMLS will not be available until later during calendar year 2010, at which time a \$20 fee will be paid by the applicant to the NMLS for this certification.

Accompanied by the Texas SML license/registration numbers and based on the records we have in our system, below is a list of RMLOs eligible to certify their pre-licensure education as of the date displayed at the bottom of each page:

- |                               |                            |
|-------------------------------|----------------------------|
| 66923 - Abalos, Yolanda       | 65697 - Adame, Leslie Sue  |
| 30012 - Abbott, Wendy Larkin  | 77007 - Adams, Tamara L.   |
| 42722 - Abbott, Tara Michelle | 78284 - Adami, Janet Allen |



## CERTIFICATION – TESTING

- State Test

- The current Texas RMLO (aka MB/LO) Pre-licensing Examination can be used to meet NMLS requirement of passing a Texas state test
  - Available to any current, past, or future applicant or licensee
  - Must pass the current exam no later than 8/14/2010 (*NMLS Texas Test will be available on 8/15/2010*)



## CERTIFICATION – TESTING

- State Test – Continued
  - You must file your MU4 prior to 8/31/2010 to be able to have your examination certified
  - SML will pull passing score records directly from Pearson VUE, exam provider

## HOW WILL CERTIFICATION WORK?

- NMLS will pass MU4 records to SML
- SML will extract education hours from current licensees from licensing database
- Pearson VUE will download passing score records to SML
- SML will merge education and exam records and upload to NMLS

## HOW WILL CERTIFICATION WORK?

- NMLS will notify MU4 applicant/licensee of certification availability and invoice
- Once invoice is paid by applicant/licensee, SML will be notified by NMLS that certification is available for review and approval
- SML will approve education and/or test as meeting NMLS requirements

## LICENSING REQUIREMENTS – BACKGROUND CHECK



- Two background checks must be conducted on each individual applicant:
  - Criminal History
  - Credit History

## LICENSING REQUIREMENTS – BACKGROUND CHECK

### ■ Criminal History

- All RMLOs must authorize and pay for a fingerprint background check through NMLS for the purpose of conducting a national criminal history background check through the FBI
- Fingerprint request is part of the initial MU4 filing
- Applies to all individuals regardless of previous fingerprinting with SML, other Texas licensing agencies, or other state jurisdictions

## LICENSING REQUIREMENTS – BACKGROUND CHECK

- Criminal History - Continued
  - MU4 application (transitions and renewals) will be denied if the application has been convicted of, or pled guilty or nolo contendere to, a **felony** in a domestic, foreign, or military court:
    - during the seven-year period preceding the date of application or
    - at any time preceding the date of application, if the felony involved an act of fraud, dishonesty, breach of trust, or money laundering
  - Commissioner will continue to have discretion over licensing decisions where criminal history involves good moral conduct

## LICENSING REQUIREMENTS – BACKGROUND CHECK

### ■ Credit History

- All RMLO applicants provide authorization to obtain a credit report through NMLS on MU4 filing attestation
- NMLS credit report processing will not be available until March 2011 (*current NMLS staff estimate*)
- SML will review the credit report provided through the NMLS as part of its determination of financial responsibility for each RMLO

## LICENSING REQUIREMENTS – BACKGROUND CHECK



- Credit History - Continued
  - SML will not rely on credit scores when determining an individual's fitness for a license
  - SML intends to look at systemic, long-term financial irresponsibility as a reason to further investigate the information received before a final licensing decision is made

## LICENSING REQUIREMENTS – OTHER



### ■ Sponsorship

- RMLOs must be sponsored by a company to be active with an “Approved” status
- Un-sponsored RMLOs will be considered inactive with an “Approved – Inactive” status

### ■ Qualifying Individual

- A licensed TX SML RMLO must be identified on the MU1
  - Exception: Mortgage Banker MU1 filing
- Replaces current Designated Representative requirement on Mortgage Broker Entity license

## LICENSING REQUIREMENTS – OTHER

### ■ Good Standing

- All entity information filed with the Secretary of State or a county clerk must be current for an MU1 to be approved
- Any individual filing an MU4 cannot have any outstanding issues pending with the department
  - Penalties and restitution
  - Late report filings
  - NSFs / charge backs
- Cannot have an industry-related license revocation

## LICENSING REQUIREMENTS – OTHER

### ■ Mortgage Call Reports

- Probably will replace current Annual Reports required of SML Mortgage Brokers
- Requirements still under development by NMLS staff
  - Filed by MU1 license holders, not MU4 individuals
  - Quarterly versus Yearly still be debated
  - Will be collected online through the NMLS
  - Is a statement of condition on the company and its operations including financial statements and production activity volumes per state
  - Request for Public Comment will open soon for 60 days before final decisions are made and implemented – **TAKE THE TIME TO REVIEW AND PROVIDE COMMENT**

## LICENSING REQUIREMENTS – OTHER

### ■ Renewals

- All licenses are issued with a 12/31 expiration date regardless of when license is issued and must be renewed annually between November 1 – December 31
- Two month reinstatement period available after expiration (some license types will include an additional 50% licensing reinstatement fee)
- Licensee must continue to meet original requirements for licensure
- RMLOs must take 8 hours of CE during licensure period



## TIMEFRAMES

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- April 2, 2010
  - Texas SML goes **live** on the NMLS!
- April 2 – May 31, 2010
  - Mortgage Bankers/RMLOs
  - Financial Service Companies/Exclusive Agents
  - CUSOs/RMLOs
  - Auxiliary Loan Activity Companies/RMLOs
  - Independent Contractor LP/Underwriters transition to or apply through the NMLS



## TIMEFRAMES

- July 1 – August 31, 2010
  - Mortgage [Broker] Companies/RMLOs
- November 1 – December 31, 2010
  - Renewal Period on NMLS
- December 31, 2010
  - **ALL** licensure handled through the NMLS
- January 1 – February 28, 2011
  - Reinstatement period if license is not renewed by 12/31

## NMLS FEES

| Action                                 | Initial Set-up Fee | Renewal Fee | Other Fee |
|--|--------------------|-------------|-----------|
| MU1 Company Filing                     | \$100              | \$100       |           |
| MU2 Control Persons Filing             | N/C                | N/C         |           |
| MU3 Branch Filing                      | \$20               | \$20        |           |
| MU4 Individual Filing                  | \$30               | \$30        |           |
| MU4 Sponsorship Change                 |                    |             | \$30      |
| National Test                          |                    |             | \$92      |
| Texas State Test (Available 8/15/2010) |                    |             | \$69      |
| Fingerprint Scanning / FBI Report      |                    |             | \$39      |
| Credit Report                          |                    |             | TBD       |
| Pre-licensing Education Certification  |                    |             | \$15      |
| Current Texas State Exam Certification |                    |             | \$5       |

N/C = No Charge  
TBD = To Be Determined

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## SML FEES ON NMLS

| Action                                  | MU1    | MU3      | MU4                        |
|---|--------|----------|----------------------------|
| <b>License Transition</b>               |        |          |                            |
| Mortgage Banker                         | N/C    | N/C      | N/C                        |
| Mortgage [Broker] Company               | N/C    | N/C      | N/C                        |
| Financial Services                      | N/C    | N/C      | N/C                        |
| <b>New Application / Annual Renewal</b> |        |          |                            |
| Mortgage Banker                         | \$500  | N/C      | \$410 New<br>\$310 Renewal |
| Mortgage [Broker] Company               | \$175  | \$50 New | \$310                      |
| Financial Services                      | Varies | N/A      | N/C                        |
| CJSO                                    | \$175  | N/C      | \$310                      |
| Auxiliary Loan Activities               | N/C    | N/A      | \$50                       |
| Independent Contractor LP/Underwriter   | \$175  | N/A      | \$310                      |

N/C = No Charge  
N/A = Not Applicable




NOW WHAT?

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**■ Get started NOW!**

- Don't ignore the email blasts we send you and read what we post on our website
- Go to the NMLS Resource Center and get familiar with what it offers (*link available on our website*)
  - Click on TEXAS map for transition details and other requirements (*more updates coming soon*)
  - Review information under Getting Started with NMLS...

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## NOW WHAT?

- Pass the Texas Pre-licensing Examination before you file your MU4
- Determine if your current education can be certified or if you need more
- Determine if you need to pass the National Test before or after you file your MU4
- If you have concerns about any previous criminal history file an Eligibility Determination request with SML for an opinion (*form available on SML website; cost \$75*)

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## CONTACT INFORMATION

|                      |  |
|----------------------|--|
| SML Website          | <a href="http://www.sml.state.tx.us">www.sml.state.tx.us</a>                         |
| NMLS Resource Center | <a href="http://www.stateregulatoryregistry.org">www.stateregulatoryregistry.org</a> |
| Email                | <a href="mailto:licensing@sml.state.tx.us">licensing@sml.state.tx.us</a>             |
| Toll Free            | 877-276-5550   |
| Main Phone           | 512-475-1350   |
| Licensing Fax        | 512-475-1360   |
| Office Address       | 2601 North Lamar Blvd.<br>Suite 201, Austin, Texas 78705                             |

