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August 21, 2008

TO ALL LICENSED MORTGAGE BUSINESSES AND CONSUMER DISCOUNT COMPANIES ENGAGED IN THE MORTGAGE BUSINESS:

The Commonwealth of Pennsylvania Department of Banking (the "Department") is pleased to announce that it is one of 20 states to transition onto the Nationwide Mortgage Licensing System ("NMLS") in calendar year 2008. A total of 42 state agencies have indicated their intent to join the NMLS.

NMLS is a multi-state licensing system that allows your business to apply for and manage its licenses with the Department and other participating states through a secure website. The NMLS was developed by and for state regulators to streamline the licensing process for regulators and the industry. It will allow all mortgage businesses and originators to be licensed in Pennsylvania and other participating states with a minimum amount of paperwork. Under new authority recently enacted in the Department of Banking Code as part of Act 58 of 2008, the Department is requiring all mortgage business licensees to use the NMLS to manage their Pennsylvania licenses.

Additionally, Act 56 of 2008, 7 Pa.C.S. Ch. 61 (the "Mortgage Act"), has created a consolidated mortgage loan industry licensing framework in Pennsylvania. When effective, the Mortgage Act combines the separate licenses required to conduct the first mortgage loan business under former Chapter 3 of the Mortgage Bankers and Brokers and Consumer Equity Protection Act (the "MBBCEPA") and the secondary mortgage loan business under the former Secondary Mortgage Loan Act (the "SMLA") into one license under which both mortgage businesses may be conducted as either a mortgage lender, mortgage loan correspondent or mortgage broker. Furthermore, it requires the licensure of all "mortgage originators" employed by licensees under the Mortgage Act and the Consumer Discount Company Act (the "CDCA"). A Summary of the Mortgage Act is available on the Department's website at www.banking.state.pa.us.

The Department will transition existing MBBCEPA and SMLA licensees to new Mortgage Act licenses via the NMLS as explained in this letter. CDCA licensees engaged in mortgage lending will also be required to use the NMLS for all licensing transactions.

Please note that on July 30, 2008, President Bush signed into law Title V of the Housing and Economic Recovery Act of 2008, the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (H.R. 3221). Title V requires that each state enact minimum standards regarding the supervision of mortgage originators and adopt the NMLS, or the U.S. Department of Housing and Urban Development will assume the responsibility for the regulation of mortgage originators in that state.

The Department intends to seek amendments to the Mortgage Act soon in order to comply with the requirements of this act. **Thus, the guidance contained in this letter regarding the NMLS and Mortgage Act transition timeframes may be subject to change in the near future.** Please pay close attention to the Department's website for updates regarding the NMLS and Mortgage Act transition plan.

Transition Plan

On November 5, 2008, the new Mortgage Act will become effective and the MBBCEPA and SMLA will be repealed by operation of law. As part of the Department's transition plan for mortgage licensees, you will have from November 5, 2008, until December 31, 2008, to submit through the NMLS a complete record for your company, each licensed branch, and all mortgage originators. By mid-September a copy of the Department's transition plan will be available on the NMLS website at www.stateregulatoryregistry.org/nmls.

Although the transition period does not officially begin until November 5, 2008, the Department strongly encourages all licensees to immediately begin to create a record in the NMLS. By starting this process immediately, you will reduce the risk that last minute delays will prevent your business from timely licensure under the Mortgage Act. After you create an account on the NMLS, you can begin the process of populating the forms needed to transition your license. Fees associated with using the NMLS will only be assessed at the time of license submission which begins November 5, 2008.

Again, the Department strongly encourages all licensees to immediately open an account on the NMLS and begin the transition process.

How to Access NMLS

In order to gain access to the NMLS, you must complete a *Company Account Request Form* and identify a *Primary Account Administrator*. This form, along with instructions, is available on, and can be submitted electronically through, the NMLS at www.stateregulatoryregistry.org/nmls. This form will need to be submitted only once regardless of the number of NMLS participating states in which the applicant is seeking licensure.¹

After you complete and submit this form, the *Primary Account Administrator* will receive the NMLS login information **within 1 to 2 business days**. The *Primary Account Administrator* for your company will be able to (1) access the NMLS, (2) submit information to the Department and other participating state mortgage regulators, and (3) set up other company users in the system. Instructions and tutorials on how to access and use the NMLS are also available on the NMLS website at www.stateregulatoryregistry.org/nmls.

¹ Each distinct legal company that is licensed in more than one NMLS participating state only needs to enter its company record (Form MU1) once. The licensed company will need to set up its licenses with each participating state in accordance with their respective transition plans. If you have multiple companies licensed in one or more states, you will need to enter a separate company record (Form MU1) for each distinct legal company.

Forms to Complete

When you are able to access the NMLS, you will need to populate and then submit the following forms through the NMLS to the Department as well as pay system processing fees in order to complete the transition process:

1. Companies submit a **Form MU1**;
2. Companies submit a **Form MU2** for each **Control Person**² (such as an executive officer, qualified individual and branch manager);
3. Companies submit a **Form MU3** for each **Licensed Branch** (if applicable); and
4. Companies submit a **Form MU4** for **Mortgage Originator**² applicants. Alternatively, companies may have Mortgage Originator license applicants submit Form MU4 themselves indicating that they are “sponsored” by the company.

Instructions and tutorials on how to complete these forms are available online at the NMLS website at www.stateregulatoryregistry.org/nmls. You may also participate in professionally-moderated conference calls and webinars on how to effectively transition onto the NMLS. These scheduled training workshops will be conducted on the following dates:

- September 10, 2008.
- October 8, 2008.

To register for any of the scheduled events, visit the NMLS website and click on the link to the “*NMLS Training Workshops*.” Please note that there is a fee required to participate in the training workshops. For additional information on the instructions and tutorials, visit the NMLS website and click on the “*Company*” link under the “*Getting Started*” section.

Furthermore, questions regarding how to transition onto the NMLS may be directed to the NMLS Call Center at (240) 386-4444.

Fees

Mortgage businesses transitioning onto the NMLS are required to pay NMLS system fees, which include an initial fee and a transitional fee. You must also pay a partial license renewal fee under the Mortgage Act to the Department for your license. The partial renewal fee is one-half of the Mortgage Act renewal fee (determined by license type) and will be assessed at the time of transition onto the NMLS. This is in recognition of the fact that existing licensees have already paid a license renewal fee under the prior acts for part of 2008.

When the company has successfully transitioned onto the NMLS and paid the associated fees, the new mortgage license period will run until December 31, 2009. The license period will thereafter run from January 1 to December 31 each year.

² Before a Control Person’s Form MU2 and Mortgage Originator’s Form MU4 is submitted to the Department, the subject individual must first attest to the information contained in the form.

Mortgage originators applying for a new license on the NMLS are required to pay an initial and renewal NMLS processing fee along with the Mortgage Act licensing fee of \$200. The conditional licensing period for a mortgage originator will be from November 5, 2008, until December 31, 2009. A schedule of all fees is available on the NMLS website listed below.

NMLS Website

Information about the NMLS can be found at www.stateregulatoryregistry.org/nmls. The NMLS website provides background information, tutorials, agency transition plans, NMLS access, NMLS help line, and many other items about the NMLS.

Conditional Mortgage License Business Authority

Mortgage businesses currently licensed by the Department to conduct mortgage business and all mortgage originators working in those businesses as of November 4, 2008, will receive conditional Mortgage Act licenses on November 5, 2008, and will be authorized to conduct the mortgage loan business in this Commonwealth during the transition period ending December 31, 2008. The conditional license business authority will be provided to all such mortgage companies and originators through public notice in the *Pennsylvania Bulletin*.

Mortgage businesses currently licensed in Pennsylvania will receive conditional mortgage business authority from November 5, 2008, to December 31, 2008, through the above-referenced notice. After December 31, 2008, unconditional license certificates will be issued to all companies and branch offices that have **successfully transitioned onto NMLS**. Consumer Discount Companies **do not require a license under the Mortgage Act**; however, Consumer Discount Companies engaged in the mortgage business will be required to use the NMLS and the CDCA licensing period will thereafter run from January 1 to December 31 of each year.

Please note that mortgage businesses currently licensed in Pennsylvania will lose their authority to conduct mortgage business after December 31, 2008, unless they have successfully transitioned onto NMLS.

Mortgage originators will receive conditional mortgage business authority from November 5, 2008, to December 31, 2008, by the above-referenced notice, after which they will receive an individual license certificate. This individual license certificate will be under the condition that prequalification education requirements are met by December 31, 2009. Individual license certificates will only be issued to mortgage originators who have successfully transitioned onto NMLS by completing a background history check, which includes whether the applicant:

- has been convicted of a *felony* or a *crime of moral turpitude*;
- has had a license application or license issued by the Department denied, not renewed, suspended, or revoked;
- is the subject of an order of the Department;
- has violated or failed to comply with provisions of the Mortgage Act, any regulation, statement of policy, or order of the Department;

- does not possess the *financial responsibility, character, reputation, integrity and general fitness* to command the confidence of the public to warrant the belief that the mortgage loan business will be operated lawfully, honestly, fairly and within the legislative intent of the Mortgage Act and within the general laws of the Commonwealth of Pennsylvania; or
- has an outstanding debt to the Commonwealth or a Commonwealth agency.

Please be aware that mortgage originators will lose their authority to conduct mortgage business after December 31, 2008, unless they have successfully transitioned onto the NMLS.

New Licensing Requirements under the Mortgage Act

Mortgage businesses currently licensed by the Department, including Consumer Discount Companies, will have no **new** licensing requirements when transitioning onto NMLS other than to make new criminal or disciplinary disclosures not already reported. There will be no pre-education or criminal background history check requirements for current mortgage company licensees to transition onto NMLS.

All mortgage originators will require criminal background investigations, individual credit report submissions and other requirements as listed on the state specific checklist located on the NMLS website. Prequalification education requirements under the Mortgage Act will not be a requirement of licensure for originators until December 31, 2009, when the individual license is required to be renewed. Prequalification education requirements under the Mortgage Act will be one of the conditions of licensure for all mortgage originator licenses issued after the transition period and will be required to be met at the time of license renewal. These prequalification education requirements will be completed in lieu of continuing education requirements for loan originators for the 2009 licensing period.

Education Requirements

The Mortgage Act requires all mortgage originators and one non-mortgage originator of all mortgage licensees, except for Consumer Discount Companies, to complete a minimum of 12 hours of prequalification education and testing. All mortgage originators, and one employee of each licensed location, except for Consumer Discount Companies, will be required to complete a minimum of 6 hours of continuing education each year.

The Department must delineate the requirements of prequalification education and testing and continuing education under the Mortgage Act by regulation. The Department does not anticipate having an approved education regulation in place by November 5, 2008; therefore, as a licensing condition, the Department will require the completion of prequalification education and testing by the time of license renewal (December 31, 2009). The Department anticipates having licensed prequalification and continuing education providers under the Mortgage Act no later than July 1, 2009.

Conclusion

The Department recognizes that this period of transition to the NMLS and the Mortgage Act will be challenging for our mortgage licensees; however, the Department's licensing staff is committed to assisting you in this process. Should you have any questions regarding the Mortgage Act or the transition plan, feel free to contact the licensing staff at (717) 787-3717 or email at ra-asklicensing@state.pa.us. For questions regarding NMLS and how to create a record on the system, please contact the NMLS Call Center at (240) 386-4444.



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