



Privacy Impact Assessment of the Nationwide Mortgage Licensing System and Registry

Program or application name:

Nationwide Mortgage Licensing System and Registry (NMLSR)

System Owner:

Board of Governors of the Federal Reserve System's ("Board") Division of Banking Supervision and Regulation

NMLSR is maintained by State Regulatory Registry LLC (SRR), a wholly owned subsidiary of the Conference of State Bank Supervisors (CSBS), and SRR's subcontractor, the Financial Industry Regulatory Authority (FINRA)

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Summary description of the program or application:

The Nationwide Mortgage Licensing System and Registry (NMLSR) is a Web-based system designed for the registration of individuals who act as residential mortgage loan originators (MLOs) and who are employed with either a depository institution, a subsidiary owned and controlled by a depository institution and regulated by a Federal banking agency, U.S. branches and agencies of foreign banks and U.S. commercial lending companies owned and controlled by foreign banks, or an institution regulated by the Farm Credit Administration (FCA) (collectively referred to

herein as Agency-regulated institutions). MLOs are required by Section 1507 of the Secure and Fair Enforcement for Mortgage Licensing Act, (SAFE Act), 12 U.S.C. § 5106, to register in NMLSR, to obtain unique identifiers, and to maintain their registrations. The federal agencies that regulate Agency-regulated institutions who employ MLOs and who may need access to the data for supervisory purposes include the Board of Governors of the Federal Reserve System (Board) as well as the Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and FCA (collectively the "Agencies").

NMLSR has been built and is maintained by FINRA. NMLSR is a modification of the Nationwide Mortgage Licensing System (NMLS), which is owned and operated by SRR and was launched in January of 2008 for State licensing and registration purposes in participating States. MLOs in those States complete a single uniform form (known as the MU4) electronically. The data provided on the form is stored electronically in a secure, centralized repository available to State mortgage regulators who use it to process license applications and for supervisory purposes.

The Federal banking agencies (through the Federal Financial Institutions Examination Council (FFIEC)) and FCA are working with SRR to modify NMLS so that it can accept registrations from MLOs employed by Federal agency regulated institutions. This enhancement will add data requirements, system access requirements, security requirements, and system functionality requirements. A consumer web portal will be the focus of a future system enhancement. The Agencies issued a final rule implementing the federal registration requirements of the SAFE Act which is published at 75 Fed. Reg. 44656 (July 28, 2010)(Final Rule).

This privacy impact assessment only addresses data collection for MLOs who are employed by Agency-regulated institutions.

1. The information concerning individuals that is being collected and/or maintained.

NMLSR may collect some or all of the following personally identifiable information on MLOs:

- a. Name and other names used;

- b. Social Security number;
- c. Gender;
- d. Date of birth;
- e. Place of birth;
- f. Home address;
- g. Home telephone;
- h. Business contact information;
- i. Date the employee became an employee of the Agency-regulated institution;
- j. Financial services-related employment history for the past 10 years;
- k. Criminal history involving certain felonies and misdemeanors;
- l. History of financial services-related civil actions, arbitrations and regulatory and disciplinary actions or orders;
- m. Professional license revocations or suspensions.
- n. State license(s) held, status, and license numbers
- o. Fingerprint data; and
- p. Results of criminal background checks.
- q. Unique identifier assigned to NMLSR registrant

Additional information contained in the NMLSR includes data that must be entered by the Agency-regulated institution. In connection with the registration of each employee who acts as a MLO, financial institution personnel must provide confirmation to the NMLSR that the particular institution:

- r. Employs the registrant MLO; and
- s. Notification that it no longer employs the registrant MLO and the date the registrant ceased being an employee of the Agency-regulated institution, to be filed within 30 days of the date the registrant ceases to be an employee of the institution.

2. Source(s) of each category of information listed in item 1.

The majority of the personally identifiable information listed in item 1 is entered into NMLSR by either the MLOs or their financial institution employer although information may also be provided by NMLSR's call center help desk. The criminal background check information is provided by the FBI.

3. Purposes for which the information is being collected.

NMLSR collects and maintains personally identifiable information on MLOs pursuant to the SAFE Act. The SAFE Act specifically prohibits an individual from engaging in the business of residential mortgage loan origination without first obtaining and maintaining annually: (1) a registration as a registered MLO and a unique identifier if employed by an Agency-regulated institution; or (2) a license and registration as a State-licensed MLO and a unique identifier. An MLO must be Federally-registered if that individual is an employee of an Agency-regulated institution (subject to a *de minimis* exception for low-volume MLOs). All MLOs who are not employed by an Agency-regulated institution must be both registered in the NMLSR and state licensed. The SAFE Act requires that Federal registration and State licensing and registration must be accomplished through the same registration system, the NMLSR. The SAFE Act requires the Agencies, through the FFIEC, and with FCA to develop and maintain a system for registering residential MLOs employed by Agency-regulated institutions.

In connection with the Federal registration, the Agencies are required, at a minimum, to ensure that the NMLSR is furnished with information concerning the MLO's identity, including: (1) fingerprints for submission to the Federal Bureau of Investigation (FBI) and any other relevant governmental agency for a State and national criminal history background check; and (2) personal history and experience, including authorization for the NMLSR to obtain information related to any administrative, civil, or criminal findings by any governmental jurisdiction.

The SAFE Act also requires the Agencies to coordinate with the NMLSR to establish protocols for assigning a unique identifier to each registered loan originator that will facilitate electronic tracking and uniform identification of, and public access to, the employment history of and publicly adjudicated disciplinary and enforcement actions against loan originators.

The NMLSR uses social security and date of birth to validate the MLO's identity. The NMLSR also uses this personal information to confirm that the MLO will receive only one unique identifier number, regardless of employment, throughout his/her life.

4. Who will have access to the information.

For the most part, access to data by a user within the Federal Reserve is strictly limited to a small number of authorized employees within the Federal Reserve who have a need for the information for official business purposes. The information may also be shared with a Board-regulated entity that is the subject of a complaint or inquiry and third parties to the extent necessary to obtain information that is relevant to the resolution of a complaint or inquiry. In addition, the information may also be disclosed for the appropriate federal, state, local, foreign, or self-regulatory organization or agency for enforcement, statutory and regulatory purposes; to another agency or a Federal Reserve Bank, to a Member of Congress; to the Department of Justice, a court, an adjudicative body or administrative tribunal, or a party in litigation; to contractors, agents, and others; and to other agencies, entities, and persons reasonably necessary to assist the Board's efforts to respond to a suspected or confirmed compromise of security or confidentiality to prevent, minimize or remedy such harm.

Federal agencies that regulate institutions who employ MLOs and who may need access to the data for supervisory purposes include: Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), Federal Reserve System (Board), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and FCA (collectively the "Agencies").

Information may also be disclosed to SRR for the purpose of disseminating MLO data that is aggregated on a regional or national level and issuing registered MLOs and their employing institutions communications regarding NMLSR.

A unique feature of NMLSR is that the specific personally identifiable information collected and maintained on MLOs will be available for viewing to members of the public through a Web portal. The individual registering as a MLO or renewing or updating his or her registration is required under the relevant regulation to authorize the NMLSR to make available to the public specific employee information.

- a. Name and other names used
- b. Business contact information;

- c. Date the employee became an employee of the Agency-regulated institution;
- d. Financial services-related employment history for the past 10 years;
- e. Criminal history involving certain felonies and misdemeanors;
- f. History of financial services-related civil actions, arbitrations and regulatory and disciplinary actions or orders; and
- g. Professional license revocations or suspensions.

Additionally, the information is available to MLOs' financial institution employers, who are required under the governing regulation to review the criminal background check information in NMLSR and may make employment and disciplinary decisions about the MLO based on the background check information.

The employee registering as a MLO or renewing or updating his or her registration is required to by the rule to authorize the NMLSR and the employing institution to obtain information related to sanctions or findings in any administrative, civil or criminal action, to which the employee is a party, made by any governmental jurisdiction.

5. Whether the individuals to whom the information pertains have an opportunity to decline to provide the information or to consent to particular uses of the information (other than required or authorized uses).

Individuals who are MLOs or desire to become registered as MLOs with any Agency-regulated institutions are required to submit requested personally identifiable information in NMLRS.

6. Procedure(s) for ensuring that the information maintained is accurate, complete, and up-to-date.

MLOs and their employing institutions are responsible for data accuracy as it is entered into the system. MLOs are required to attest to the completeness and accuracy of the data in NMLSR when submitting form MU4R, whether submitted by the employee or on behalf of the employee by the employing bank (except MLO information that only institution must submit).

SRR and FINRA have no formal policies on data integrity. At this time, the Board will have no determined or assumed responsibility for data accuracy, timeliness and reliability. However, NMLSR/Registry has built in “completeness” checks that determine if all data fields are completed. Additionally, the NMLSR/Registry “Help Center” staff will review institution base record information to verify RSSD number, address, etc.

Moreover, MLOs are required by regulation to renew their registration with the NMLSR annually. To renew, the MLO must confirm that the information previously submitted to the NMLSR remains accurate and complete and update any information as needed. In addition to the annual renewal, the MLO's information must be updated within 30 days of the occurrence of any of the following events: (1) a change in the registrant's name; (2) the registrant ceases to be an employee of the Agency-regulated institution; or (3) any of the registrant's responses to the certain of the information required for original registration become inaccurate.

Furthermore, in connection with the registration of each employee who acts as a MLO, institution personnel must provide confirmation to NMLSR that the institution (i) employs the registrant; and (ii) within 30 days of the date the registrant ceases to be an employee of the Agency-regulated institution, notification that it no longer employs the registrant and the date the registrant ceased being an employee.

The regulation will require an Agency-regulated institution that employs MLOs to adopt and follow written policies and procedures designed to assure compliance with the requirements of the Final Rule. These policies and procedures must include provisions that establish reasonable procedures for confirming the adequacy and accuracy of MLO registrations, including updates and renewals; establish reasonable procedures and tracking systems for monitoring compliance with registration and renewal policies and procedures; and provide for independent testing for compliance with the regulation by bank personnel or by an outside party at least annually

7. The length of time the data will be retained, and how will it be purged.

NMLSR is a new Board electronic information system. There is presently no records control schedule covering the disposition and retention of Board records maintained in NMLSR. Board staff will work with the National

Archives and Records Administration over the course of the next year to establish disposition and retention authority for Board records maintained in NMLSR. No data or other Board records of the system will be destroyed prior to obtaining such disposition and retention authority.

8. The administrative and technological procedures used to secure the information against unauthorized access.

NMLSR is secured by technological controls that validate all input and servers that are protected through an application that analyzes traffic patterns to prevent malicious actions. Access to NMLSR data identified in item 1 above is limited to authorized users who satisfy a comprehensive background check. The extent to which users have access is based on pre-determined roles. All data exchanges take place over an encrypted network and records are stored in a locked environment. Depository institution administrators with access to multiple MLO records will be required to use a two-factor authentication solution to gain access.

The public data listed in item 4, which is available for public viewing, is secured from unauthorized modification.

9. Whether a new system of records under the Privacy Act should be created. (If the data is retrieved by name, unique number, or other identifier assigned to an individual, then a Privacy Act system of records may be created).

A Privacy Act system of records notice (SORN) is required because personally identifiable information about MLOs will be retrieved by reference to their name or other personal identifier.

Reviewed:

Maureen Hannan /signed/	11/10/2011
_____	_____
Chief Information Officer	Date
Charles S. Struckmeyer /signed/	11/08/2011
_____	_____
Chief Privacy Officer	Date