

UNITED STATES CODE  
TITLE 12. BANKS AND BANKING  
CHAPTER 51. SECURE AND FAIR ENFORCEMENT FOR MORTGAGE LICENSING

History: P.L. 110-289, sec. 1502, eff. Jul. 30, 2008.

Note: Act July 30, 2008, P.L. 110-289, Div A, Title V, § 1501, 122 Stat. 2810, provides: "This title [12 USCS §§ 5101 et seq.] may be cited as the 'Secure and Fair Enforcement for Mortgage Licensing Act of 2008' or 'S.A.F.E. Mortgage Licensing Act of 2008'."

## **SAFE 12 USC § 5101 Purpose and methods for establishing a mortgage licensing system and registry**

### Reference

In order to increase uniformity, reduce regulatory burden, enhance consumer protection, and reduce fraud, the States, through the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators, are hereby encouraged to establish a Nationwide Mortgage Licensing System and Registry for the residential mortgage industry that accomplishes all of the following objectives:

- (1) Provides uniform license applications and reporting requirements for State-licensed loan originators.
- (2) Provides a comprehensive licensing and supervisory database.
- (3) Aggregates and improves the flow of information to and between regulators.
- (4) Provides increased accountability and tracking of loan originators.
- (5) Streamlines the licensing process and reduces the regulatory burden.
- (6) Enhances consumer protections and supports anti-fraud measures.
- (7) Provides consumers with easily accessible information, offered at no charge, utilizing electronic media, including the Internet, regarding the employment history of, and publicly adjudicated disciplinary and enforcement actions against, loan originators.
- (8) Establishes a means by which residential mortgage loan originators would, to the greatest extent possible, be required to act in the best interests of the consumer.
- (9) Facilitates responsible behavior in the subprime mortgage market place and provides comprehensive training and examination requirements related to subprime mortgage lending.
- (10) Facilitates the collection and disbursement of consumer complaints on behalf of State and Federal mortgage regulators.

## SAFE 12 USC § 5102 Definitions

### Reference

[Changes effective on a date as designated under 12 USC 5582 (Dodd-Frank) that will be not earlier than 180 days, nor later than 12 months, after the date of enactment of this Act (Dodd-Frank), unless specified in 12 USC 5582 (Dodd-Frank)]

For purposes of this title [12 USCS §§ 5101 et seq.], the following definitions shall apply:

*(1) BUREAU The term "Bureau" means the Bureau of Consumer Financial Protection.*

*(2) FEDERAL BANKING AGENCY The term "Federal banking agency" means the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the National Credit Union Administration, and the Federal Deposit Insurance Corporation.*

~~(1) Federal banking agencies. The term "Federal banking agencies" means the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Director of the Office of Thrift Supervision, the National Credit Union Administration, and the Federal Deposit Insurance Corporation.~~

~~(3)~~ (2) Depository institution. The term "depository institution" has the same meaning as in section 3 of the Federal Deposit Insurance Act [12 USCS § 1813], and includes any credit union.

~~(4)~~ (3) Loan originator.

(A) In general. The term "loan originator":

(i) means an individual who:

(I) takes a residential mortgage loan application; and

(II) offers or negotiates terms of a residential mortgage loan for compensation or gain;

(ii) does not include any individual who is not otherwise described in clause (i) and who performs purely administrative or clerical tasks on behalf of a person who is described in any such clause;

(iii) does not include a person or entity that only performs real estate brokerage activities and is licensed or registered in accordance with applicable State law, unless the person or entity is compensated by a lender, a mortgage broker, or other loan originator or by any agent of such lender, mortgage broker, or other loan originator;

and

(iv) does not include a person or entity solely involved in extensions of credit relating to timeshare plans, as that term is defined in section 101(53D) of title 11, United States Code.

(B) Other definitions relating to loan originator. For purposes of this subsection, an individual "assists a consumer in obtaining or applying to obtain a residential mortgage loan" by, among other things, advising on loan terms (including rates, fees, other costs), preparing loan packages, or collecting information on behalf of the consumer with regard to a residential mortgage loan.

(C) Administrative or clerical tasks. The term "administrative or clerical tasks" means the receipt, collection, and distribution of information common for the processing or underwriting of a loan in the mortgage industry and communication with a consumer to obtain information necessary for the processing or underwriting of a residential mortgage loan.

(D) Real estate brokerage activity defined. The term "real estate brokerage activity" means any activity that involves offering or providing real estate brokerage services to the public, including:

(i) acting as a real estate agent or real estate broker for a buyer, seller, lessor, or lessee of real property;

(ii) bringing together parties interested in the sale, purchase, lease, rental, or exchange of real property;

(iii) negotiating, on behalf of any party, any portion of a contract relating to the sale, purchase, lease, rental, or exchange of real property (other than in connection with providing financing with respect to any such transaction);

(iv) engaging in any activity for which a person engaged in the activity is required to be registered or licensed as a real estate agent or real estate broker under any applicable law; and

(v) offering to engage in any activity, or act in any capacity, described in clause (i), (ii), (iii), or (iv).

5.4 Loan processor or underwriter.

(A) In general. The term "loan processor or underwriter" means an individual who performs clerical or support duties at the direction of and subject to the supervision and instruction of:

(i) a State-licensed loan originator; or

(ii) a registered loan originator.

(B) Clerical or support duties. For purposes of subparagraph (A), the term "clerical or support duties" may include:

(i) the receipt, collection, distribution, and analysis of information common for the processing or underwriting of a residential mortgage loan; and

(ii) communicating with a consumer to obtain the information necessary for the processing or underwriting of a loan, to the extent that such communication does not include offering or negotiating loan rates or terms, or counseling consumers about residential mortgage loan rates or terms.

~~(6.5)~~ Nationwide Mortgage Licensing System and Registry. The term "Nationwide Mortgage Licensing System and Registry" means a mortgage licensing system developed and maintained by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators for the State licensing and registration of State-licensed loan originators and the registration of registered loan originators or any system established by the Director ~~Secretary~~ under section 1509.

~~(7.6)~~ Nontraditional mortgage product. The term "nontraditional mortgage product" means any mortgage product other than a 30-year fixed rate mortgage.

~~(8.7)~~ Registered loan originator. The term "registered loan originator" means any individual who:

(A) meets the definition of loan originator and is an employee of:

(i) a depository institution;

(ii) a subsidiary that is:

(I) owned and controlled by a depository institution; and

(II) regulated by a the Director ~~Federal banking agency~~; or

(iii) an institution regulated by the Farm Credit Administration; and

(B) is registered with, and maintains a unique identifier through, the Nationwide Mortgage Licensing System and Registry.

~~(9.8)~~ Residential mortgage loan. The term "residential mortgage loan" means any loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling (as defined in

section 103(v) of the Truth in Lending Act [15 USCS § 1602(v)] or residential real estate upon which is constructed or intended to be constructed a dwelling (as so defined).

*(10) DIRECTOR The term "Director" means the Director of the Bureau of Consumer Financial Protection.*

~~(10) Director Secretary. The term "Director Secretary" means the Director Secretary of Housing and Urban Development.~~

(11) State. The term "State" means any State of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, the Trust Territory of the Pacific Islands, the Virgin Islands, and the Northern Mariana Islands.

(12) State-licensed loan originator. The term "State-licensed loan originator" means any individual who:

(A) is a loan originator;

(B) is not an employee of:

(i) a depository institution;

(ii) a subsidiary that is:

(I) owned and controlled by a depository institution; and

(II) regulated by a the Bureau Federal banking agency; or

(iii) an institution regulated by the Farm Credit Administration; and

(C) is licensed by a State or by the Director Secretary under section 1508 [12 USCS § 5107] and registered as a loan originator with, and maintains a unique identifier through, the Nationwide Mortgage Licensing System and Registry.

(13) Unique identifier.

(A) In general. The term "unique identifier" means a number or other identifier that:

(i) permanently identifies a loan originator;

(ii) is assigned by protocols established by the Nationwide Mortgage Licensing System and Registry and the Bureau Federal banking agencies to facilitate electronic tracking of loan originators and uniform identification of, and public access to, the employment history of and the publicly adjudicated disciplinary and enforcement actions against loan originators; and

(iii) shall not be used for purposes other than those set forth under this title [12 USCS §§ 5101 et seq.].

(B) Responsibility of States. To the greatest extent possible and to accomplish the purpose of this title [12 USCS §§ 5101 et seq.], States shall use unique identifiers in lieu of social security numbers.

## **SAFE 12 USC § 5103 License or registration required**

### Reference

(a) In general. Subject to the existence of a licensing or registration regime, as the case may be, an individual may not engage in the business of a loan originator without first:

(1) obtaining, and maintaining annually:

(A) a registration as a registered loan originator; or

(B) a license and registration as a State-licensed loan originator; and

(2) obtaining a unique identifier.

(b) Loan processors and underwriters.

(1) Supervised loan processors and underwriters. A loan processor or underwriter who does not represent to the public, through advertising or other means of communicating or providing information (including the use of business cards, stationery, brochures, signs, rate lists, or other promotional items), that such individual can or will perform any of the activities of a loan originator shall not be required to be a State-licensed loan originator.

(2) Independent contractors. An independent contractor may not engage in residential mortgage loan origination activities as a loan processor or underwriter unless such independent contractor is a State-licensed loan originator.



## **SAFE 12 USC § 5104 State license and registration application and issuance**

### Reference

(a) Background checks. In connection with an application to any State for licensing and registration as a State-licensed loan originator, the applicant shall, at a minimum, furnish to the Nationwide Mortgage Licensing System and Registry information concerning the applicant's identity, including:

(1) fingerprints for submission to the Federal Bureau of Investigation, and any governmental agency or entity authorized to receive such information for a State and national criminal history background check; and

(2) personal history and experience, including authorization for the System to obtain:

(A) an independent credit report obtained from a consumer reporting agency described in section 603(p) of the Fair Credit Reporting Act [15 USCS § 1681a(p)]; and

(B) information related to any administrative, civil or criminal findings by any governmental jurisdiction.

(b) Issuance of license. The minimum standards for licensing and registration as a State-licensed loan originator shall include the following:

(1) The applicant has never had a loan originator license revoked in any governmental jurisdiction.

(2) The applicant has not been convicted of, or pled guilty or nolo contendere to, a felony in a domestic, foreign, or military court:

(A) during the 7-year period preceding the date of the application for licensing and registration; or

(B) at any time preceding such date of application, if such felony involved an act of fraud, dishonesty, or a breach of trust, or money laundering.

(3) The applicant has demonstrated financial responsibility, character, and general fitness such as to command the confidence of the community and to warrant a determination that the loan originator will operate honestly, fairly, and efficiently within the purposes of this title [12 USCS §§ 5101 et seq.].

(4) The applicant has completed the pre-licensing education requirement described in subsection(c).

(5) The applicant has passed a written test that meets the test requirement described in subsection (d).

(6) The applicant has met either a net worth or surety bond requirement, or paid into a State fund, as required by the State pursuant to section 1508(d)(6) [12 USCS § 5107(d)(6)].

(c) Pre-licensing education of loan originators.

(1) Minimum educational requirements. In order to meet the pre-licensing education requirement referred to in subsection (b)(4), a person shall complete at least 20 hours of education approved in accordance with paragraph (2), which shall include at least:

(A) 3 hours of Federal law and regulations;

(B) 3 hours of ethics, which shall include instruction on fraud, consumer protection, and fair lending issues; and

(C) 2 hours of training related to lending standards for the nontraditional mortgage product marketplace.

(2) Approved educational courses. For purposes of paragraph (1), pre-licensing education courses shall be reviewed, and approved by the Nationwide Mortgage Licensing System and Registry.

(3) Limitation and standards.

(A) Limitation. To maintain the independence of the approval process, the Nationwide Mortgage Licensing System and Registry shall not directly or indirectly offer pre-licensure educational courses for loan originators.

(B) Standards. In approving courses under this section, the Nationwide Mortgage Licensing System and Registry shall apply reasonable standards in the review and approval of courses.

(d) Testing of loan originators.

(1) In general. In order to meet the written test requirement referred to in subsection (b)(5), an individual shall pass, in accordance with the standards established under this subsection, a qualified written test developed by the Nationwide Mortgage Licensing System and Registry and administered by an approved test provider.

(2) Qualified test. A written test shall not be treated as a qualified written test for purposes of paragraph (1) unless the test adequately measures the applicant's knowledge and comprehension in appropriate subject areas, including:

(A) ethics;

(B) Federal law and regulation pertaining to mortgage origination;

(C) State law and regulation pertaining to mortgage origination;

(D) Federal and State law and regulation, including instruction on fraud, consumer protection, the nontraditional mortgage marketplace, and fair lending issues.

(3) Minimum competence.

(A) Passing score. An individual shall not be considered to have passed a qualified written test unless the individual achieves a test score of not less than 75 percent correct answers to questions.

(B) Initial retests. An individual may retake a test 3 consecutive times with each consecutive taking occurring at least 30 days after the preceding test.

(C) Subsequent retests. After failing 3 consecutive tests, an individual shall wait at least 6 months before taking the test again.

(D) Retest after lapse of license. A State-licensed loan originator who fails to maintain a valid license for a period of 5 years or longer shall retake the test, not taking into account anytime during which such individual is a registered loan originator.

(e) Mortgage call reports. Each mortgage licensee shall submit to the Nationwide Mortgage Licensing System and Registry reports of condition, which shall be in such form and shall contain such information as the Nationwide Mortgage Licensing System and Registry may require.

## **SAFE 12 USC § 5105 Standards for State license renewal**

### Reference

(a) In general. The minimum standards for license renewal for State-licensed loan originators shall include the following:

(1) The loan originator continues to meet the minimum standards for license issuance.

(2) The loan originator has satisfied the annual continuing education requirements described in subsection (b).

(b) Continuing education for State-licensed loan originators:

(1) In general. In order to meet the annual continuing education requirements referred to in subsection (a)(2), a State-licensed loan originator shall complete at least 8 hours of education approved in accordance with paragraph (2), which shall include at least:

(A) 3 hours of Federal law and regulations;

(B) 2 hours of ethics, which shall include instruction on fraud, consumer protection, and fair lending issues; and

(C) 2 hours of training related to lending standards for the nontraditional mortgage product marketplace.

(2) Approved educational courses. For purposes of paragraph (1), continuing education courses shall be reviewed, and approved by the Nationwide Mortgage Licensing System and Registry.

(3) Calculation of continuing education credits. A State-licensed loan originator:

(A) may only receive credit for a continuing education course in the year in which the course is taken; and

(B) may not take the same approved course in the same or successive years to meet the annual requirements for continuing education.

(4) Instructor credit. A State-licensed loan originator who is approved as an instructor of an approved continuing education course may receive credit for the originator's own annual continuing education requirement at the rate of 2 hours credit for every 1 hour taught.

(5) Limitation and standards.

(A) Limitation. To maintain the independence of the approval process, the Nationwide

Mortgage Licensing System and Registry shall not directly or indirectly offer any continuing education courses for loan originators.

(B) Standards. In approving courses under this section, the Nationwide Mortgage Licensing System and Registry shall apply reasonable standards in the review and approval of courses.

## SAFE 12 USC § 5106 System of registration administration by Federal agencies

### Reference

[Changes effective on a date as designated under 12 USC 5582 (Dodd-Frank) that will be not earlier than 180 days, nor later than 12 months, after the date of enactment of this Act (Dodd-Frank), unless specified in 12 USC 5582 (Dodd-Frank)]

(a) Development.

*(1) IN GENERAL The Bureau shall develop and maintain a system for registering employees of a depository institution, employees of a subsidiary that is owned and controlled by a depository institution and regulated by a Federal banking agency, or employees of an institution regulated by the Farm Credit Administration, as registered loan originators with the Nationwide Mortgage Licensing System and Registry. The system shall be implemented before the end of the 1-year period beginning on the date of enactment of the Consumer Financial Protection Act of 2010.*

(1) In general. The ~~Bureau~~ Federal banking agencies shall jointly, through the Federal Financial Institutions Examination Council, and together with the Farm Credit Administration, develop and maintain a system for registering employees of a depository institution, employees of a subsidiary that is owned and controlled by a depository institution and regulated by ~~the Bureau~~ Federal banking agency, or employees of an institution regulated by the Farm Credit Administration, as registered loan originators with the Nationwide Mortgage Licensing System and Registry. The system shall be implemented before the end of the 1-year period beginning on the date of enactment of this title [enacted July 30, 2008].

(2) Registration requirements. In connection with the registration of any loan originator under this subsection, the ~~Bureau~~ appropriate Federal banking agency and the ~~Farm Credit Administration~~ shall, at a minimum, furnish or cause to be furnished to the Nationwide Mortgage Licensing System and Registry information concerning the *identity of the employee* employee's identity, including:

(A) fingerprints for submission to the Federal Bureau of Investigation, and any governmental agency or entity authorized to receive such information for a State and national criminal history background check; and

(B) personal history and experience, including authorization for the Nationwide Mortgage Licensing System and Registry to obtain information related to any administrative, civil or criminal findings by any governmental jurisdiction.

(b) Coordination.

(1) Unique identifier. The Bureau Federal banking agencies, and the Bureau of Consumer Financial Protection through the Financial Institutions Examination Council, and the Farm Credit Administration shall coordinate with the Nationwide Mortgage Licensing System and Registry 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.

(2) Nationwide Mortgage Licensing System and Registry development. To facilitate the transfer of information required by subsection (a)(2), the Nationwide Mortgage Licensing System and Registry shall coordinate with the Bureau Federal banking agencies, through the Financial Institutions Examination Council, and the Farm Credit Administration concerning the development and operation, by such System and Registry, of the registration functionality and data requirements for loan originators.

(c) Consideration of factors and procedures. In establishing the registration procedures under subsection(a) and the protocols for assigning a unique identifier to a registered loan originator, the Bureau Federal banking agencies shall make such de minimis exceptions as may be appropriate to paragraphs (1)(A) and (2) of section 1504(a) [12 USCS § 5103(a)], shall make reasonable efforts to utilize existing information to minimize the burden of registering loan originators, and shall consider methods for automating the process to the greatest extent practicable consistent with the purposes of this title [12 USCS §§ 5101 et seq.].

**SAFE 12 USC § 5107 Bureau of Consumer Financial Protection backup authority to establish loan originator licensing system ~~Secretary of Housing and Urban Development backup authority to establish a loan originator licensing system~~**

Reference

[Changes effective on a date as designated under 12 USC 5582 (Dodd-Frank) that will be not earlier than 180 days, nor later than 12 months, after the date of enactment of this Act (Dodd-Frank), unless specified in 12 USC 5582 (Dodd-Frank)]

(a) Backup licensing system. If, by the end of the 1-year period, or the 2-year period in the case of a State whose legislature meets only biennially, beginning on the date of the enactment of this title [enacted July 30, 2008] or at any time thereafter, the Director ~~Secretary~~ determines that a State does not have in place by law or regulation a system for licensing and registering loan originators that meets the requirements of sections 1505 and 1506 [12 USCS §§ 5104 and 5105] and subsection (d) of this section, or does not participate in the Nationwide Mortgage Licensing System and Registry, the Director ~~Secretary~~ shall provide for the establishment and maintenance of a system for the licensing and registration by the Director ~~Secretary~~ of loan originators operating in such State as State licensed loan originators.

(b) Licensing and registration requirements. The system established by the Director ~~Secretary~~ under subsection(a) for any State shall meet the requirements of sections 1505 and 1506 [12 USCS §§ 5104 and 5105] for State-licensed loan originators.

(c) Unique identifier. The Director ~~Secretary~~ shall coordinate with the Nationwide Mortgage Licensing System and Registry to establish protocols for assigning a unique identifier to each loan originator licensed by the Director ~~Secretary~~ as a State-licensed loan originator that will facilitate electronic tracking and uniform identification of, and public access to, the employment history of and the publicly adjudicated disciplinary and enforcement actions against loan originators.

(d) State licensing law requirements. For purposes of this section, the law in effect in a State meets the requirements of this subsection if the Director ~~Secretary~~ determines the law satisfies the following minimum requirements:

(1) A State loan originator supervisory authority is maintained to provide effective supervision and enforcement of such law, including the suspension, termination, or nonrenewal of a license for a violation of State or Federal law.

(2) The State loan originator supervisory authority ensures that all State-licensed loan originators operating in the State are registered with Nationwide Mortgage Licensing



System and Registry.

(3) The State loan originator supervisory authority is required to regularly report violations of such law, as well as enforcement actions and other relevant information, to the Nationwide Mortgage Licensing System and Registry.

(4) The State loan originator supervisory authority has a process in place for challenging information contained in the Nationwide Mortgage Licensing System and Registry.

(5) The State loan originator supervisory authority has established a mechanism to assess civil money penalties for individuals acting as mortgage originators in their State without a valid license or registration.

(6) The State loan originator supervisory authority has established minimum net worth or surety bonding requirements that reflect the dollar amount of loans originated by a residential mortgage loan originator, or has established a recovery fund paid into by the loan originators.

(e) Temporary extension of period. The Director ~~Secretary~~ may extend, by not more than 24 months, the 1-year or 2-year period, as the case may be, referred to in subsection (a) for the licensing of loan originators in any State under a State licensing law that meets the requirements of sections 1505 and 1506 [12 USCS §§ 5104 and 5105] and subsection (d) if the Director ~~Secretary~~ determines that such State is making a good faith effort to establish a State licensing law that meets such requirements, license mortgage originators under such law, and register such originators with the Nationwide Mortgage Licensing System and Registry.

**(f) REGULATION AUTHORITY**

**(1) IN GENERAL The Bureau is authorized to promulgate regulations setting minimum net worth or surety bond requirements for residential mortgage loan originators and minimum requirements for recovery funds paid into by loan originators.**

**(2) CONSIDERATIONS In issuing regulations under paragraph (1), the Bureau shall take into account the need to provide originators adequate incentives to originate affordable and sustainable mortgage loans, as well as the need to ensure a competitive origination market that maximizes consumer access to affordable and sustainable mortgage loans.**

## **SAFE 12 USC § 5108 Backup authority to establish a nationwide mortgage licensing and registry system**

### Reference

[Changes effective on a date as designated under 12 USC 5582 (Dodd-Frank) that will be not earlier than 180 days, nor later than 12 months, after the date of enactment of this Act (Dodd-Frank), unless specified in 12 USC 5582 (Dodd-Frank)]

If at any time the Director ~~Secretary~~ determines that the Nationwide Mortgage Licensing System and Registry is failing to meet the requirements and purposes of this title [12 USCS §§ 5101 et seq.] for a comprehensive licensing, supervisory, and tracking system for loan originators, the Director ~~Secretary~~ shall establish and maintain such a system to carry out the purposes of this title [12 USCS §§ 5101 et seq.] and the effective registration and regulation of loan originators.

## SAFE 12 USC § 5109 Fees

### Reference

[Changes effective on a date as designated under 12 USC 5582 (Dodd-Frank) that will be not earlier than 180 days, nor later than 12 months, after the date of enactment of this Act (Dodd-Frank), unless specified in 12 USC 5582 (Dodd-Frank)]

*The Bureau, the Farm Credit Administration, and the Nationwide Mortgage Licensing System and Registry may charge reasonable fees to cover the costs of maintaining and providing access to information from the Nationwide Mortgage Licensing System and Registry, to the extent that such fees are not charged to consumers for access to such system and registry.* The ~~Bureau~~ Federal banking agencies, the Farm Credit Administration, the ~~Director~~ Secretary, and the Nationwide Mortgage Licensing System and Registry may charge reasonable fees to cover the costs of maintaining and providing access to information from the Nationwide Mortgage Licensing System and Registry, to the extent that such fees are not charged to consumers for access to such system and registry.

## **SAFE 12 USC § 5110 Background checks of loan originators**

### Reference

(a) Access to records. Notwithstanding any other provision of law, in providing identification and processing functions, the Attorney General shall provide access to all criminal history information to the appropriate State officials responsible for regulating State-licensed loan originators to the extent criminal history background checks are required under the laws of the State for the licensing of such loan originators.

(b) Agent. For the purposes of this section and in order to reduce the points of contact which the Federal Bureau of Investigation may have to maintain for purposes of subsection (a), the Conference of State Bank Supervisors or a wholly owned subsidiary may be used as a channeling agent of the States for requesting and distributing information between the Department of Justice and the appropriate State agencies.

## **SAFE 12 USC § 5111 Confidentiality of information**

### Reference

(a) System confidentiality. Except as otherwise provided in this section, any requirement under Federal or State law regarding the privacy or confidentiality of any information or material provided to the Nationwide Mortgage Licensing System and Registry or a system established by the Director ~~Secretary~~ under section 1509 [12 USCS § 5108], and any privilege arising under Federal or State law (including the rules of any Federal or State court) with respect to such information or material, shall continue to apply to such information or material after the information or material has been disclosed to the system. Such information and material may be shared with all State and Federal regulatory officials with mortgage industry oversight authority without the loss of privilege or the loss of confidentiality protections provided by Federal and State laws.

(b) Nonapplicability of certain requirements. Information or material that is subject to a privilege or confidentiality under subsection (a) shall not be subject to:

(1) disclosure under any Federal or State law governing the disclosure to the public of information held by an officer or an agency of the Federal Government or the respective State; or

(2) subpoena or discovery, or admission into evidence, in any private civil action or administrative process, unless with respect to any privilege held by the Nationwide Mortgage Licensing System and Registry or the Director ~~Secretary~~ with respect to such information or material, the person to whom such information or material pertains waives, in whole or in part, in the discretion of such person, that privilege.

(c) Coordination with other law. Any State law, including any State open record law, relating to the disclosure of confidential supervisory information or any information or material described in subsection(a) that is inconsistent with subsection (a) shall be superseded by the requirements of such provision to the extent State law provides less confidentiality or a weaker privilege.

(d) Public access to information. This section shall not apply with respect to the information or material relating to the employment history of, and publicly adjudicated disciplinary and enforcement actions against, loan originators that is included in Nationwide Mortgage Licensing System and Registry for access by the public.

## SAFE 12 USC § 5112 Liability provisions

### Reference

[Changes effective on a date as designated under 12 USC 5582 (Dodd-Frank) that will be not earlier than 180 days, nor later than 12 months, after the date of enactment of this Act (Dodd-Frank), unless specified in 12 USC 5582 (Dodd-Frank)]

*The Bureau, any State official or agency, or any organization serving as the administrator of the Nationwide Mortgage Licensing System and Registry or a system established by the Director under section 1509, or any officer or employee of any such entity, shall not be subject to any civil action or proceeding for monetary damages by reason of the good faith action or omission of any officer or employee of any such entity, while acting within the scope of office or employment, relating to the collection, furnishing, or dissemination of information concerning persons who are loan originators or are applying for licensing or registration as loan originators.*

The ~~Director~~ Secretary, any State official or agency, any Federal banking agency, or any organization serving as the administrator of the Nationwide Mortgage Licensing System and Registry or a system established by the ~~Director~~ Secretary under section 1509 [12-USCS § 5108], or any officer or employee of any such entity, shall not be subject to any civil action or proceeding for monetary damages by reason of the good faith action or omission of any officer or employee of any such entity, while acting within the scope of office or employment, relating to the collection, furnishing, or dissemination of information concerning persons who are loan originators or are applying for licensing or registration as loan originators.

**SAFE 12 USC § 5113 Enforcement by the Bureau under ~~HUD backup licensing system~~**

Reference

[Changes effective on a date as designated under 12 USC 5582 (Dodd-Frank) that will be not earlier than 180 days, nor later than 12 months, after the date of enactment of this Act (Dodd-Frank), unless specified in 12 USC 5582 (Dodd-Frank)]

(a) Summons authority. The Director ~~Secretary~~ may:

(1) examine any books, papers, records, or other data of any loan originator operating in any State which is subject to a licensing system established by the Director ~~Secretary~~ under section 1508 [12 USCS § 5107]; and

(2) summon any loan originator referred to in paragraph (1) or any person having possession, custody, or care of the reports and records relating to such loan originator, to appear before the Director ~~Secretary~~ or any delegate of the Director ~~Secretary~~ at a time and place named in the summons and to produce such books, papers, records, or other data, and to give testimony, under oath, as may be relevant or material to an investigation of such loan originator for compliance with the requirements of this title [12 USCS §§ 5101 et seq.].

(b) Examination authority.

(1) In general. If the Director ~~Secretary~~ establishes a licensing system under section 1508 [12 USCS § 5107] for any State, the Director ~~Secretary~~ shall appoint examiners for the purposes of administering such section.

(2) Power to examine. Any examiner appointed under paragraph (1) shall have power, on behalf of the Director ~~Secretary~~, to make any examination of any loan originator operating in any State which is subject to a licensing system established by the Director ~~Secretary~~ under section 1508 [12 USCS § 5107] whenever the Director ~~Secretary~~ determines an examination of any loan originator is necessary to determine the compliance by the originator with this title [12 USCS §§ 5101 et seq.].

(3) Report of examination. Each examiner appointed under paragraph (1) shall make a full and detailed report of examination of any loan originator examined to the Director ~~Secretary~~.

(4) Administration of oaths and affirmations; evidence. In connection with examinations of loan originators operating in any State which is subject to a licensing system established by the Director ~~Secretary~~ under section 1508 [12 USCS § 5107], or

with other types of investigations to determine compliance with applicable law and regulations, the Director Secretary and examiners appointed by the Director Secretary may administer oaths and affirmations and examine and take and preserve testimony under oath as to any matter in respect to the affairs of any such loan originator.

(5) Assessments. The cost of conducting any examination of any loan originator operating in any State which is subject to a licensing system established by the Director Secretary under section 1508 [12 USCS § 5107] shall be assessed by the Director Secretary against the loan originator to meet the Secretary's expenses in carrying out such examination.

(c) Cease and desist proceeding.

(1) Authority of Director Secretary. If the Director Secretary finds, after notice and opportunity for hearing, that any person is violating, has violated, or is about to violate any provision of this title [12 USCS §§ 5101 et seq.], or any regulation thereunder, with respect to a State which is subject to a licensing system established by the Director Secretary under section 1508 [12 USCS § 5107], the Director Secretary may publish such findings and enter an order requiring such person, and any other person that is, was, or would be a cause of the violation, due to an act or omission the person knew or should have known would contribute to such violation, to cease and desist from committing or causing such violation and any future violation of the same provision, rule, or regulation. Such order may, in addition to requiring a person to cease and desist from committing or causing a violation, require such person to comply, or to take steps to effect compliance, with such provision or regulation, upon such terms and conditions and within such time as the Director Secretary may specify in such order. Any such order may, as the Director Secretary deems appropriate, require future compliance or steps to effect future compliance, either permanently or for such period of time as the Director Secretary may specify, with such provision or regulation with respect to any loan originator.

(2) Hearing. The notice instituting proceedings pursuant to paragraph (1) shall fix a hearing date not earlier than 30 days nor later than 60 days after service of the notice unless an earlier or a later date is set by the Director Secretary with the consent of any respondent so served.

(3) Temporary order. Whenever the Director Secretary determines that the alleged violation or threatened violation specified in the notice instituting proceedings pursuant to paragraph (1), or the continuation thereof, is likely to result in significant dissipation or conversion of assets, significant harm to consumers, or substantial harm to the public interest prior to the completion of the proceedings, the Director



~~Secretary~~ may enter a temporary order requiring the respondent to cease and desist from the violation or threatened violation and to take such action to prevent the violation or threatened violation and to prevent dissipation or conversion of assets, significant harm to consumers, or substantial harm to the public interest as the Director ~~Secretary~~ deems appropriate pending completion of such proceedings. Such an order shall be entered only after notice and opportunity for a hearing, unless the Director ~~Secretary~~ determines that notice and hearing prior to entry would be impracticable or contrary to the public interest. A temporary order shall become effective upon service upon the respondent and, unless set aside, limited, or suspended by the Director ~~Secretary~~ or a court of competent jurisdiction, shall remain effective and enforceable pending the completion of the proceedings.

(4) Review of temporary orders.

(A) Review by Director ~~Secretary~~. At any time after the respondent has been served with a temporary cease and desist order pursuant to paragraph (3), the respondent may apply to the Director ~~Secretary~~ to have the order set aside, limited, or suspended. If the respondent has been served with a temporary cease and desist order entered without a prior hearing before the Director ~~Secretary~~, the respondent may, within 10 days after the date on which the order was served, request a hearing on such application and the Director ~~Secretary~~ shall hold a hearing and render a decision on such application at the earliest possible time.

(B) Judicial review. Within:

(i) 10 days after the date the respondent was served with a temporary cease and desist order entered with a prior hearing before the Director ~~Secretary~~; or

(ii) 10 days after the Director ~~Secretary~~ renders a decision on an application and hearing under paragraph (1), with respect to any temporary cease and desist order entered without a prior hearing before the Director ~~Secretary~~, the respondent may apply to the United States district court for the district in which the respondent resides or has its principal place of business, or for the District of Columbia, for an order setting aside, limiting, or suspending the effectiveness or enforcement of the order, and the court shall have jurisdiction to enter such an order. A respondent served with a temporary cease and desist order entered without a prior hearing before the Director ~~Secretary~~ may not apply to the court except after hearing and decision by the Director ~~Secretary~~ on the respondent's application under subparagraph (A).

(C) No automatic stay of temporary order. The commencement of proceedings under subparagraph (B) shall not, unless specifically ordered by the court, operate as a stay

of the Secretary's order.

(5) Authority of the Director ~~Secretary~~ to prohibit persons from serving as loan originators. In any cease and desist proceeding under paragraph (1), the Director ~~Secretary~~ may issue an order to prohibit, conditionally or unconditionally, and permanently or for such period of time as the Director ~~Secretary~~ shall determine, any person who has violated this title [12 USCS §§ 5101 et seq.] or regulations thereunder, from acting as a loan originator if the conduct of that person demonstrates unfitness to serve as a loan originator.

(d) Authority of the Director ~~Secretary~~ to assess money penalties.

(1) In general. The Director ~~Secretary~~ may impose a civil penalty on a loan originator operating in any State which is subject to a licensing system established by the Director ~~Secretary~~ under section 1508 [12 USCS § 5107], if the Director ~~Secretary~~ finds, on the record after notice and opportunity for hearing, that such loan originator has violated or failed to comply with any requirement of this title [12 USCS §§ 5101 et seq.] or any regulation prescribed by the Director ~~Secretary~~ under this title [12 USCS §§ 5101 et seq.] or order issued under subsection (c).

(2) Maximum amount of penalty. The maximum amount of penalty for each act or omission described in paragraph (1) shall be \$25,000.

## **SAFE 12 USC § 5114 State examination authority**

### Reference

In addition to any authority allowed under State law a State licensing agency shall have the authority to conduct investigations and examinations as follows:

- (1) For the purposes of investigating violations or complaints arising under this title [12 USCS §§ 5101 et seq.], or for the purposes of examination, the State licensing agency may review, investigate, or examine any loan originator licensed or required to be licensed under this title [12 USCS §§ 5101 et seq.], as often as necessary in order to carry out the purposes of this title [12 USCS §§ 5101 et seq.].
- (2) Each such loan originator shall make available upon request to the State licensing agency the books and records relating to the operations of such originator. The State licensing agency may have access to such books and records and interview the officers, principals, loan originators, employees, independent contractors, agents, and customers of the licensee concerning their business.
- (3) The authority of this section shall remain in effect, whether such a loan originator acts or claims to act under any licensing or registration law of such State, or claims to act without such authority.
- (4) No person subject to investigation or examination under this section may knowingly withhold, abstract, remove, mutilate, destroy, or secrete any books, records, computer records, or other information.

## **SAFE 12 USC § 5115 Reports and recommendations to Congress**

### Reference

(a) Annual reports. Not later than 1 year after the date of enactment of this title [enacted July 30, 2008], and annually thereafter, the Director Secretary shall submit a report to Congress on the effectiveness of the provisions of this title, including legislative recommendations, if any, for strengthening consumer protections, enhancing examination standards, streamlining communication between all stakeholders involved in residential mortgage loan origination and processing, and establishing performance based bonding requirements for mortgage originators or institutions that employ such brokers.

(b) Legislative recommendations. Not later than 6 months after the date of enactment of this title [enacted July 30, 2008], the Director Secretary shall make recommendations to Congress on legislative reforms to the Real Estate Settlement Procedures Act of 1974 [12 USCS §§ 2601 et seq.], that the Director Secretary deems appropriate to promote more transparent disclosures, allowing consumers to better shop and compare mortgage loan terms and settlement costs.

## **SAFE 12 USC § 5116 Study and reports on defaults and foreclosures**

### Reference

- (a) Study required. The Director ~~Secretary~~ shall conduct an extensive study of the root causes of default and foreclosure of home loans, using as much empirical data as is available.
- (b) Preliminary report to Congress. Not later than 6 months after the date of enactment of this title [enacted July 30, 2008], the Director ~~Secretary~~ shall submit to Congress a preliminary report regarding the study required by this section.
- (c) Final report to Congress. Not later than 12 months after the date of enactment of this title [enacted July 30, 2008], the Director ~~Secretary~~ shall submit to Congress a final report regarding the results of the study required by this section, which shall include any recommended legislation relating to the study, and recommendations for best practices and for a process to provide targeted assistance to populations with the highest risk of potential default or foreclosure.



# Federal Register

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Wednesday,  
July 28, 2010

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## Part IV

**Department of the Treasury**  
Office of the Comptroller of the  
Currency

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**Federal Reserve System**

**Federal Deposit Insurance  
Corporation**

**Department of the Treasury**  
Office of Thrift Supervision

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**Farm Credit Administration**

**National Credit Union  
Administration**

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12 CFR Part 34, 208, 211, et al.  
**Registration of Mortgage Loan  
Originators; Final Rule**

**DEPARTMENT OF THE TREASURY****Office of the Comptroller of the Currency****12 CFR Part 34**

[Docket ID OCC–2010–0007]

RIN 1557–AD23

**FEDERAL RESERVE SYSTEM****12 CFR Parts 208 and 211**

[Docket No. R–1357]

**FEDERAL DEPOSIT INSURANCE CORPORATION****12 CFR Part 365**

RIN 3064–AD43

**DEPARTMENT OF THE TREASURY****Office of Thrift Supervision****12 CFR Part 563**

[Docket No. 2010–0021]

RIN 1550–AC33

**FARM CREDIT ADMINISTRATION****12 CFR Part 610**

RIN 3052–AC52

**NATIONAL CREDIT UNION ADMINISTRATION****12 CFR Parts 741 and 761**

RIN 3133–AD59

**Registration of Mortgage Loan Originators**

**AGENCY:** Office of the Comptroller of the Currency, Treasury (OCC); Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); Office of Thrift Supervision, Treasury (OTS); Farm Credit Administration (FCA); and National Credit Union Administration (NCUA).

**ACTION:** Final rule.

**SUMMARY:** The OCC, Board, FDIC, OTS, FCA, and NCUA (collectively, the Agencies) are adopting final rules to implement the Secure and Fair Enforcement for Mortgage Licensing Act (the S.A.F.E. Act). The S.A.F.E. Act requires an employee of a bank, savings association, credit union or Farm Credit System (FCS) institution and certain of their subsidiaries that are regulated by a Federal banking agency or the FCA (collectively, Agency-regulated institutions) who acts as a residential

mortgage loan originator to register with the Nationwide Mortgage Licensing System and Registry, obtain a unique identifier, and maintain this registration. The final rule further provides that Agency-regulated institutions must: require their employees who act as residential mortgage loan originators to comply with the S.A.F.E. Act's requirements to register and obtain a unique identifier, and adopt and follow written policies and procedures designed to assure compliance with these requirements.

**DATES:** This final rule is effective on October 1, 2010. Compliance with § \_\_.103 (registration requirement) of the final rule is required by the end of the 180-day period for initial registrations beginning on the date the Agencies provide in a public notice that the Registry is accepting initial registrations.

**FOR FURTHER INFORMATION CONTACT:**

**OCC:** Michele Meyer, Assistant Director, Heidi Thomas, Special Counsel, or Patrick T. Tierney, Senior Attorney, Legislative and Regulatory Activities, (202) 874–5090, and Nan Goulet, Senior Advisor, Large Bank Supervision, (202) 874–5224, Office of the Comptroller of the Currency, 250 E Street SW., Washington, DC 20219.

**Board:** Anne Zorc, Counsel, Legal Division, (202) 452–3876, Virginia Gibbs, Senior Supervisory Analyst, (202) 452–2521, and Stanley Rediger, Supervisory Financial Analyst, (202) 452–2629, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551.

**FDIC:** Thomas F. Lyons, Examination Specialist, (202) 898–6850, Victoria Pawelski, Senior Policy Analyst, (202) 898–3571, or John P. Kotsiras, Financial Analyst, (202) 898–6620, Division of Supervision and Consumer Protection; or Richard Foley, Counsel, (202) 898–3784, or Kimberly A. Stock, Counsel, (202) 898–3815, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

**OTS:** Charlotte M. Bahin, Special Counsel (Special Projects), (202) 906–6452, Vicki Hawkins-Jones, Special Counsel, Regulations and Legislation Division, (202) 906–7034, Debbie Merkle, Project Manager, Credit Risk, (202) 906–5688, and Rhonda Daniels, Senior Compliance Program Analyst, Consumer Regulations, (202) 906–7158, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

**FCA:** Gary K. Van Meter, Deputy Director, Office of Regulatory Policy, (703) 883–4414, TTY (703) 883–4434, or

Richard A. Katz, Senior Counsel, or Jennifer Cohn, Senior Counsel, Office of General Counsel, (703) 883–4020, TTY (703) 883–4020, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102–5090.

**NCUA:** Regina Metz, Staff Attorney, Office of General Counsel, 703–518–6561, or Lisa Dolin, Program Officer, Division of Supervision, Office of Examination and Insurance, 703–518–6360, National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314–3428.

**SUPPLEMENTARY INFORMATION:****I. Background****A. Statutory Requirements**

The S.A.F.E. Act,<sup>1</sup> enacted on July 30, 2008, mandates a nationwide licensing and registration system for mortgage loan originators. Specifically, the Act requires all States to provide for a licensing and registration regime for mortgage loan originators who are not employed by Agency-regulated institutions within one year of enactment (or two years for States whose legislatures meet biennially). In addition, the S.A.F.E. Act requires the OCC, Board, FDIC, OTS and NCUA,<sup>2</sup> through the Federal Financial Institutions Examination Council (FFIEC), and the FCA to develop and maintain a system for registering mortgage loan originators employed by Agency-regulated institutions. The S.A.F.E. 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 mortgage loan originator and a unique identifier if employed by an Agency-regulated institution (Federal registration), or (2) a license and registration as a State-licensed mortgage loan originator and a unique identifier.<sup>3</sup>

<sup>1</sup> The S.A.F.E. Act was enacted as part of the Housing and Economic Recovery Act of 2008, Public Law 110–289, Division A, Title V, sections 1501–1517, 122 Stat. 2654, 2810–2824 (July 30, 2008), *codified at* 12 U.S.C. 5101–5116. Citations in this Supplementary Information section are to the “S.A.F.E. Act” by section number in the public law.

<sup>2</sup> The OCC, Board, FDIC, OTS, and NCUA are referred to both in the S.A.F.E. Act and in this rulemaking as the “Federal banking agencies.”

<sup>3</sup> If the Secretary of Housing and Urban Development (HUD) determines that any State fails, within the statutorily prescribed timeframe, to establish a licensing regime that meets the requirements of the S.A.F.E. Act, the Secretary is required to establish a system for the licensing and registration of mortgage loan originators in that State. S.A.F.E. Act at section 1508. *See* HUD proposed rule implementing this requirement at 75 FR 66548 (Dec. 15, 2009). HUD has reviewed the model legislation developed by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators to

The S.A.F.E. Act requires that Federal registration and State licensing and registration must be accomplished through the same online registration system, the Nationwide Mortgage Licensing System and Registry (Registry).

In connection with the Federal registration, the Agencies at a minimum must ensure that the Registry is furnished with information concerning the mortgage loan originator'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 Registry to obtain information related to any administrative, civil, or criminal findings by any governmental jurisdiction.<sup>1</sup> On June 9, 2009, the Agencies issued a notice of proposed rulemaking to implement these requirements for Agency-regulated institutions.<sup>2</sup>

#### *B. Implementing the Requirements for Federal Registration*

The Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) have developed and maintain a Web-based system, the Nationwide Mortgage Licensing System (NMLS), for the State licensing of mortgage loan originators in participating States.<sup>3</sup> Mortgage loan originators in these States electronically complete a single uniform form (the MU4 form). The data provided on the form is stored electronically in a centralized repository available to State regulators of mortgage companies, who use it to process license applications and to authorize individuals to engage in mortgage loan origination, as well as for other supervisory purposes.

The Federal banking agencies, through the FFIEC, and the FCA are

working with CSBS to modify the NMLS so that it can accept registrations from mortgage loan originators employed by Agency-regulated institutions. This modified registry will be renamed the Nationwide Mortgage Licensing System and Registry. The existing NMLS was not designed to support the Federal registration of Agency-regulated institution employees, who are not required to obtain additional authorization from the appropriate Federal agency to engage in mortgage loan origination activities that are permissible for an Agency-regulated institution. Accordingly, the system must be modified to accommodate the differences between the requirements for State licensing/registration and Federal registration. It also must be modified to accommodate the migration of an individual between the State licensing/registration and the Federal registration regimes or the dual employment of an individual by both an Agency-regulated institution and a non-Agency-regulated institution.<sup>1</sup> Furthermore, the S.A.F.E. Act requires new enhancements to the current system, such as the processing of fingerprints and public access to certain mortgage loan originator data. These modifications and enhancements require careful analysis and raise complex legal and system development issues that the Agencies are addressing both through this rulemaking and through consultation with the CSBS and the SRR. The OCC, on behalf of the Agencies, has entered into an agreement with the SRR that will provide for appropriate consultation between the Agencies and the Registry concerning Federal registrant information requirements and fees, system functionality and security, and other operational matters. The issuance of this final rule establishing the requirements for Federal registrants will enable the Agencies and SRR to complete modifications that will enable the system to accept Federal registrations.

As described in the **SUPPLEMENTARY INFORMATION** section of the proposed rule, the Agencies will publicly announce the date on which the Registry will begin accepting Federal registrations, which will mark the beginning of the period during which employees of Agency-regulated institutions must complete the initial

registration process. When fully operational, mortgage loan originators and their Agency-regulated institution employers are expected to have access to the Registry, seven days a week, to establish and maintain their registrations.<sup>1</sup>

#### **II. Overview of the Proposal and Public Comments**

The proposed rule required individuals employed by Agency-regulated institutions who act as mortgage loan originators and who do not qualify for the *de minimis* exception set forth in the proposal to register with the Registry, obtain unique identifiers, and maintain their registrations through updates and renewals. The proposal also directed Agency-regulated institutions to require compliance with these requirements, and to adopt and follow written policies and procedures to assure such compliance. The S.A.F.E. Act does not require the Registry to screen or approve registrations received from employees of Agency-regulated institutions and the Registry will not do so. Instead, the Registry will be the repository of, and conduit for, information on those employees who are mortgage loan originators at Agency-regulated institutions. Pursuant to §§ \_\_.104(d) and (h) of the proposed rule, it would be the responsibility of each Agency-regulated institution to establish reasonable procedures for confirming the adequacy and accuracy of employee registrations as well as to establish a process for reviewing any criminal history background reports received from the Registry.

The proposal provided for a 180-day period within which to complete initial registrations after the Registry is capable of accepting registrations from employees of Agency-regulated institutions. During this period, employees of Agency-regulated institutions would not be subject to sanctions if they originate residential mortgage loans without having completed their registration.

The Agencies received over 140 different comment letters from financial institutions and holding companies, trade associations, Federal government agencies, a training company, and individuals. A number of Agency-regulated institutions objected to the registration requirement in general, suggesting that the registration

assist States in meeting the minimum requirements of the S.A.F.E. Act and found it to meet these requirements. See 74 FR 312 (Jan. 5, 2009) and <http://www.hud.gov/offices/hsg/ramh/safe/cmsl.cfm>.

<sup>1</sup> S.A.F.E. Act at section 1507(a) (12 U.S.C. 5106(a)).

<sup>2</sup> 74 FR 27386 (June 9, 2009).

<sup>3</sup> The NMLS system is owned and operated by the State Regulatory Registry LLC (SRR), which is a limited-liability company established by CSBS and the American Association of Residential Mortgage Regulators as a subsidiary of CSBS to develop and operate nationwide systems for State regulators in the financial services industry. SRR has contracted with the Financial Industry Regulatory Authority (FINRA) to build and maintain the system. FINRA operates similar systems in the securities industry. More information about this system is available at <http://www.stateregulatoryregistry.org>.

<sup>1</sup> The Agencies note that some employees of Agency-regulated institutions also may be subject to the State licensing and registration regime. For example, employees who act as mortgage loan originators for a bank and a nondepository subsidiary of a bank holding company that is not a subsidiary of a depository institution would be subject to both the Federal and State regimes.

<sup>1</sup> Pursuant to section 1503(11) of the S.A.F.E. Act (12 U.S.C. 5102(11)), Agency-regulated institutions and their employees who are acting within the scope of their employment with the Agency-regulated institutions are not subject to State licensing or registration requirements for mortgage loan originators.



requirement should not be applied to them because they were not involved in the abuses that led to the enactment of the S.A.F.E. Act. In addition, many of these commenters found the registration requirement overly burdensome, especially as they are subject to regular examinations by the Agencies and they already closely supervise the activities of their employees.

Many commenters raised concerns related to the proposed *de minimis* exception from the registration requirement. Under the proposed *de minimis* exception, a mortgage loan originator would not have to register if he or she acted as a mortgage loan originator for five or fewer loans and the Agency-regulated institution employs mortgage loan originators who, while excepted from registration pursuant to the individual exception, in the aggregate acted as mortgage loan originators in connection with 25 or fewer residential mortgage loans. Commenters suggested raising the mortgage loan originator and institution loan limits or eliminating one of the limits. Community bank trade associations were particularly concerned that the narrowness of the exception would exclude most community banks. Some commenters suggested that the exception should be tied to an asset-based threshold in the range of \$250 million to \$1 billion.

Most commenters objected to having employees who engage in loan modifications or assumptions register under the rule, noting that these activities are fundamentally different than the mortgage loan origination process in that loan modifications and assumptions: (1) Are loss mitigation activities, not loan originations; (2) provide loan modification or assumption personnel little to no discretion in negotiating the terms and conditions of any changes; and (3) are outside of the Congressional intent and the plain language of the S.A.F.E. Act.

While some commenters found the 180-day initial registration period adequate, a number of commenters suggested alternative periods ranging up to one year. Some trade associations and institutions supported staggering registration periods in order to reduce system demands and to tailor an implementation schedule to the particular capacities of an institution or group of institutions, as long as the implementation period would still be 180 days for each institution.

A number of commenters also raised issues related to the provision of fingerprints to the Registry. Commenters asserted that it was not appropriate to have an age limit on fingerprints as they

tend not to change; that the Registry should be able to accept fingerprints in a variety of formats, such as paper and scanned digital prints; and that Agency-regulated institutions should be permitted to use existing channels to process fingerprints.

Many commenters expressed privacy and security concerns regarding the types of personal information that mortgage loan originators would have to provide to the Registry and the ability of the public to have Internet access to such information.

Trade associations and large Agency-regulated institutions overwhelmingly requested that the Registry accommodate batch processing of registrations in order to reduce the costs and burden of data input, reduce errors, and efficiently register bank employees.

The Agencies have modified the proposal to take into account many of these comments. A detailed discussion of these comment letters and the Agencies' responses to them appears in the section-by-section description of the final rule that follows.<sup>1</sup>

### III. Section-By-Section Description of the Final Rule

#### *Section \_\_.101—Authority, Purpose, and Scope*

The Agencies adopt paragraphs (a) and (b) of § \_\_.101 as proposed.<sup>2</sup> Paragraph (a) identifies the authority for this rule as the S.A.F.E. Act.<sup>3</sup> Paragraph (b) states that this rule implements the S.A.F.E. Act's Federal registration requirements, which apply to individuals who originate residential mortgage loans. This provision also describes the objectives of the S.A.F.E. Act, which are derived from section 1502 of the Act (12 U.S.C. 5101).

As in the proposal, paragraph (c)(1) of § \_\_.101 of the final rule identifies the specific entities that employ individual mortgage loan originators—entities referred to in this **SUPPLEMENTARY INFORMATION** section as Agency-regulated institutions—and that also are covered by this rule. Under the S.A.F.E.

<sup>1</sup> In addition to the changes described in this Supplementary Information section, the Agencies have replaced the cites in the proposed rule to sections of the S.A.F.E. Act with cites to the relevant provisions in the U.S. Code.

<sup>2</sup> Because each Agency's proposed rule will amend a different part of the Code of Federal Regulations, but will have similar numbering, relevant sections are cited as "§ \_\_." followed by a number, unless otherwise noted.

<sup>3</sup> The Board and the OCC note that the authority in paragraph (a) of their respective rules supplements their authority to implement the S.A.F.E. Act, for example, Section 11 of the Federal Reserve Act (12 U.S.C. 248(a)) for the Board and section 5239A of the Revised Statutes (12 U.S.C. 93a) for the OCC.

Act, a mortgage loan originator must be Federally-registered if that individual is an employee of a depository institution, an employee of any subsidiary owned and controlled by a depository institution and regulated by a Federal banking agency, or an employee of an institution regulated by the FCA.<sup>1</sup> Section 1503(2) of the S.A.F.E. Act (12 U.S.C. 5102(2)) provides that "depository institution" has the same meaning as in section 3 of the Federal Deposit Insurance Act (FDI Act),<sup>2</sup> and includes any credit union. As we noted in the proposal, the definition of "depository institution" in the FDI Act and in the S.A.F.E. Act does not include bank or savings association holding companies or their non-depository subsidiaries. Employees of these entities who act as mortgage loan originators are not covered by the Federal registration requirement and, therefore, must comply with State licensing and registration requirements.

With respect to the OCC, this rule applies to national banks, Federal branches and agencies of foreign banks, their operating subsidiaries, and their employees who are mortgage loan originators.<sup>3</sup> For the Board, this rule applies to member banks of the Federal Reserve System (other than national banks); their respective subsidiaries that

<sup>1</sup> Agency-regulated institutions and their employees acting within the scope of their employment are subject only to the Federal registration requirements of the S.A.F.E. Act as implemented by the Agencies through this rulemaking, even if registration in the State system is available before Federal Registration. In consultation with the Agencies, CSBS/SRR are modifying the Registry so that it can accept registrations from employees of Agency-regulated institutions. An employee of an Agency-regulated institution may be engaged in activities outside the scope of his or her employment at an Agency-regulated institution that subject that employee to State licensing and registration requirements, such as dual employment at a non-Agency-regulated institution.

<sup>2</sup> Section 3 of the FDI Act defines "depository institution" as any bank or savings association. The term "bank" in section 3 of the FDI Act means any national bank, State bank, Federal branch, and insured branch and includes any former savings association. The term "savings association" means any Federal savings association, State savings association, and any corporation other than a bank that the FDIC and the OTS jointly determine to be operating in substantially the same manner as a savings association. 12 U.S.C. 1813.

<sup>3</sup> The S.A.F.E. Act's definition of depository institution includes Federal branches of foreign banks but not Federal agencies of foreign banks. Federal agencies are authorized by sections 1(b)(1) and 4(b) of the International Banking Act of 1978 (12 U.S.C. 3101(b)(1) and 3102(b)) and 12 CFR 28.11(g) and 28.13(a)(1) of the OCC's regulations to lend money, which would include originating mortgage loans, subject to the same duties, restrictions, penalties, liabilities, conditions, and limitations that would apply to a national bank. Thus, the Federal registration requirements apply to Federal agencies of foreign banks to the extent the registration requirements apply to national banks.

are not functionally regulated within the meaning of section 5(c)(5) of the Bank Holding Company Act, as amended (12 U.S.C. 1844(c)(5));<sup>1</sup> branches and agencies of foreign banks (other than Federal branches, Federal agencies and insured State branches of foreign banks); commercial lending companies owned or controlled by foreign banks;<sup>2</sup> and their employees who act as mortgage loan originators. For the FDIC, this rule applies to insured State nonmember banks (including State-licensed insured branches of foreign banks) and their subsidiaries (except brokers, dealers, persons providing insurance, investment companies, and investment advisers) and their employees who are mortgage loan originators. For the OTS, this rule applies to savings associations and their operating subsidiaries, and their employees who are mortgage loan originators. For the FCA, this rule applies to FCS institutions that originate residential mortgage loans under sections 1.9(3), 1.11 and 2.4(a)(2) and (b) of the Farm Credit Act of 1971, as amended (12 U.S.C. 2017(3), 2019, and 2075(a)(2) and (b)), and their employees who are mortgage loan originators.<sup>3</sup> For

<sup>1</sup> The S.A.F.E. Act, by its terms, applies the Federal registration requirements to employees of a subsidiary that is owned and controlled by a State member bank and regulated by the Board. For purposes of the scope of the Board's rules, these subsidiaries are described as those that are not functionally regulated within the meaning of section 5(c)(5) of the Bank Holding Company Act. Subsidiary has the meaning given that term in section 2 of the Bank Holding Company Act (12 U.S.C. 1841), as applied to State member banks.

<sup>2</sup> The Board notes that its final rule covers branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks) and commercial lending companies owned or controlled by foreign banks pursuant to its authority under the International Banking Act (IBA) (Chapter 32 of Title 12) to issue such rules it deems necessary in order to perform its respective duties and functions under the chapter and to administer and carry out the provisions and purposes of the chapter and prevent evasions thereof. 12 U.S.C. 3108(a). The Board notes that the IBA provides, in relevant part, that the above entities shall conduct their operations in the United States in full compliance with provisions of any law of the United States which impose requirements that protect the rights of consumers in financial transactions, to the extent that the branch, agency, or commercial lending company engages in activities that are subject to such laws, and apply to State-chartered banks, doing business in the State in which such branch or agency or commercial lending company, as the case may be, is doing business. 12 U.S.C. 3106a(1). Under the Board's final rule, the above entities would be subject to the same Federal registration requirements as Federal branches, Federal agencies, and insured State branches of foreign banks, which are covered in the OCC and FDIC rules, respectively.

<sup>3</sup> Some FCS associations may not exercise their statutory authority to make residential mortgage loans, and FCS banks no longer engage in residential mortgage origination activities because they have transferred their direct lending authority to their affiliated associations. The FCA emphasizes that employees of FCS banks and associations that

the NCUA, this rule applies to credit unions and their employees who are mortgage loan originators. Because non-Federally insured credit unions generally are not Federally regulated institutions, special registration conditions apply to them as discussed below.

As discussed in Section II, a number of commenters objected to the application of this registration requirement to employees of Agency-regulated depository institutions because, in general, they are subject to regular examinations, would be overly burdened by the registration requirement, and already closely supervise the activities of their employees. Some commenters noted that this registration requirement would penalize them for the inappropriate actions of other lenders that led to the enactment of the S.A.F.E. Act.

The Agencies note that the registration of mortgage loan originators employed by Agency-regulated institutions is explicitly required by the S.A.F.E. Act. The statute imposes a registration requirement, rather than a licensing requirement, on the employees of Agency-regulated institutions. The Agencies note that such institutions (other than non-Federally insured credit unions) already are subject to a Federal regime of examination and supervision. The S.A.F.E. Act does not authorize the Agencies to create exceptions to the registration requirement other than the *de minimis* exception described below.

Some credit union-related commenters discussed whether the final rule should apply to credit union service organizations (CUSOs). The NCUA notes that it answered these questions in a public legal opinion letter 08-0843, dated October 8, 2008, available on NCUA's Web site, <http://www.ncua.gov>. The S.A.F.E. Act treats employees of depository institution subsidiaries the same as employees of the depository institution, if the subsidiary is owned and controlled by the depository institution and regulated

do not engage in residential mortgage loan origination activities are not subject to the registration requirements of the S.A.F.E. Act and these regulations. The Federal Agricultural Mortgage Corporation (Farmer Mac) is an FCS institution that among other activities operates a secondary market for rural residential mortgage loans. The FCA determines that Farmer Mac employees are not subject to the registration requirements of the S.A.F.E. Act and these implementing regulations because Farmer Mac does not engage in mortgage loan origination activities for rural residents. The Farmer Mac secondary market is modeled after Fannie Mae and Freddie Mac, and the provisions of the S.A.F.E. Act do not expressly apply to employees at Fannie Mae and Freddie Mac.

by a Federal banking agency.<sup>1</sup> In the case of CUSOs, however, NCUA does not have direct regulatory oversight or enforcement authority. Instead, NCUA regulation permits Federal credit unions to invest in or lend only to CUSOs that conform to the limits specified in the CUSO rule, 12 CFR Part 712.<sup>2</sup> NCUA has not, historically, asserted that CUSOs or their employees are exempt from applicable State licensing regimes, and the S.A.F.E. Act does not alter that approach. Nor do NCUA regulations have any applicability to CUSOs owned by State-chartered credit unions.<sup>3</sup> Accordingly, individuals employed by CUSOs that engage in residential mortgage loan origination activities, whether the CUSO is owned by a State or a Federal credit union, would need to be licensed in accordance with applicable State requirements.

Some commenters also asked whether non-Federally insured credit unions must register with the Registry. NCUA's proposed rule applied to Federally insured credit unions and their employees who are mortgage loan originators but commenters requested NCUA include non-Federally insured credit unions and their employees who are mortgage loan originators in the scope of NCUA's final rule. The S.A.F.E. Act requires the Agencies to develop and maintain a system for registering employees of a depository institution, defined to include "any credit union."<sup>4</sup> Consistent with the S.A.F.E. Act and in response to comments, NCUA's final rule provides for a system for registering employees of any credit union. NCUA's final rule applies to Federally insured credit unions and their employees who are mortgage loan originators and non-Federally insured credit unions and their employees who are mortgage loan originators when certain conditions are met and formal agreements reached.

When drafting its final rule, NCUA considered that, with the exception of non-Federally insured credit unions, entities covered by the Federal registration system are subject to Federal oversight. Entities subject to the Federal registration system are labeled throughout the rule as "Agency-regulated institutions." Unlike Federal credit unions and Federally insured

<sup>1</sup> Section 1503(7)(A)(ii) of the S.A.F.E. Act (12 U.S.C. 5102(7)(A)(ii)).

<sup>2</sup> 12 CFR part 712.

<sup>3</sup> In April 2008, the NCUA Board issued a proposed rule that would extend some provisions of the CUSO rule to State-chartered institutions. See 73 FR 23982 (May 1, 2008). The proposal has not yet been finalized.

<sup>4</sup> Sections 1507(a)(1) and 1503(1) and (2) of the S.A.F.E. Act (12 U.S.C. 5106(a)(1) and 5102(1) and (2)).

State-chartered credit unions, non-Federally insured credit unions are neither Federally insured nor subject to NCUA's oversight. In order for non-Federally insured credit unions and their employees who are mortgage loan originators to qualify for Federal registration, they must be subject to oversight for purposes of compliance with NCUA's rule. Therefore, due to the unique nature of non-Federally insured credit unions compared with all other credit unions, NCUA is working with State supervisory authorities in those States with non-Federally insured credit unions to implement an oversight program to enable them to participate in the Federal registration system.

The oversight program will require a State supervisory authority seeking to allow non-Federally insured credit unions in its State to participate in the Federal registration system to enter into a memorandum of understanding (MOU) with NCUA. The MOU will need to address various requirements such as, but not limited to: The requirement for an applicable State supervisory authority to maintain such an MOU to allow non-Federally insured credit unions and their employees in its State to have continuous access to, and use of, the registry; examination of the non-Federally insured credit unions' compliance with the rule by either the State supervisory authority or NCUA; non-Federally insured credit unions' payment of examination fees and payment for any necessary Registry modifications; and enforcement authority and penalties for non-Federally insured credit unions for noncompliance. Any information provided by the Registry to the public about a non-Federally insured credit union and its employees must include a clear and conspicuous statement that the non-Federally insured credit union is not insured by the National Credit Union Share Insurance Fund.

If any State supervisory authority where non-Federally insured credit unions are located fails to enter into or maintain an agreement with NCUA for this registration process and oversight, the non-Federally insured credit unions and their employees in that State cannot register or maintain an existing registration under the Federal system. They instead must use the appropriate State licensing and registration system, or if the State does not have such a system, the licensing and registration system established by the Department of Housing and Urban Department (HUD) for mortgage loan originators and their

employees.<sup>1</sup> In addition, NCUA's final rule requires that the State supervisory authorities who seek to have non-Federally insured credit unions in their States participate in the Federal registration system enter into the applicable agreement with NCUA on or before the date the Agencies provide in a public notice that the Registry is accepting initial registrations.

Finally, NCUA acknowledges that, while it is an added requirement for non-Federally insured credit unions to have their State supervisory authorities enter into an agreement with NCUA, this is necessary to have any oversight or enforcement authority at all over these entities. Absent any agreement, non-Federally insured credit unions cannot participate in the Federal registration system. They are not subject to a Federal regime of examination and supervision, and are unlike any other Agency-regulated depository institutions covered under this rule. Therefore, they are subject to a different procedure to participate in the same Federal registration system.

Section 1507 of the S.A.F.E. Act (12 U.S.C. 5106) requires the Federal banking agencies to make such *de minimis* exceptions "as may be appropriate" to the Act's registration requirements.<sup>1</sup> Paragraph (c)(2) of § .101 of the proposed rule provided a *de minimis* exception based on an individual's and, in the aggregate, an institution's total number of residential mortgage loans originated in a rolling 12-month period. Specifically, the proposal provided that the registration requirements would not apply to an employee of an Agency-regulated institution if, during the last 12 months: (1) The employee acted as a mortgage loan originator for 5 or fewer residential mortgage loans; and (2) the Agency-

regulated institution employs mortgage loan originators who, while excepted from registration pursuant to this section, in the aggregate, acted as a mortgage loan originator in connection with 25 or fewer residential mortgage loans.

The Agencies received many, and varied, comments on this *de minimis* exception. Most commenters supported an exception to the rule's requirements. However, a majority of the commenters did not agree with the proposal's formulation of this exception, nor did they agree on an alternative.

Specifically, some commenters requested that the Agencies raise the threshold number of loans originated by an individual mortgage loan originator and/or the institution so that more low-volume originators would qualify for the exception. These commenters indicated that, because of its narrowness, too few institutions would be able to use the exception as proposed and others would unnecessarily register employees solely to avoid accidental non-compliance with the rule. Some, however, thought that the proposed threshold numbers were too high, and could cause an institution to spread its originations over numerous employees to avoid registration. Still others said that the proposed *de minimis* exception would be fairer, and much easier to apply, if the threshold limitation applied only to the employee or to the institution, but not both. A Federal government agency commenter found that the proposed definition of *de minimis* would make the rule unduly burdensome on small community banks.

A number of commenters also suggested that the final rule base a *de minimis* exception on a percentage of total loans or the total loan volume made at each institution, instead of the number of loans. Some trade associations and smaller institutions requested that the *de minimis* exception be based on an institution's asset-size, with suggestions ranging from the Home Mortgage Disclosure Act<sup>1</sup> threshold for institutions regulated by a Federal banking agency, currently set by the Board at \$39 million in assets,<sup>2</sup> to \$1 billion, which would be consistent with exceptions for small institutions in other provisions of law. Other commenters opposed an asset-based approach, with larger Agency-regulated institutions noting that the exceptions should not be structured to benefit only small institutions.

Other commenters wanted the exception to be applied to institutions

<sup>1</sup> HUD published its proposed rule to establish this system on December 15, 2009. See 74 FR 66548.

<sup>2</sup> See S.A.F.E. Act at sections 1507(c) (12 U.S.C. 5106(c)) (*de minimis* exceptions), 1504(a)(1)(A) (12 U.S.C. 5103(a)(1)(A)) (requirement to register), 1504(a)(2) (12 U.S.C. 5103(a)(2)) (requirement to obtain a unique identifier). As discussed in the Supplementary Information section of the proposed rule, the FCA has authority under section 5.17(a)(11) of the Farm Credit Act of 1971, as amended, 12 U.S.C. 2252(a)(11), to apply the *de minimis* exception to FCS institutions. Section 5.17(a)(11) of the Farm Credit Act authorizes the FCA to "exercise such incidental powers as may be necessary or appropriate to fulfill its duties. \* \* \*" In this case, the FCA is exercising its incidental powers to fulfill the requirement in the S.A.F.E. Act that it work together with the Federal banking agencies to develop and maintain a system for registering residential mortgage loan originators at Agency-regulated institutions with the Registry. A coordinated and uniform approach to the *de minimis* exception among the Agencies is appropriate because it best fulfills the objectives of the S.A.F.E. Act.

<sup>1</sup> 12 U.S.C. 2801 *et seq.*

<sup>2</sup> See 12 CFR 203.2 (Regulation C).

with no prior history of mortgage origination fraud or to institutions with good performance histories from previous supervisory examinations, regardless of the number of loans originated. Some commenters also suggested that the exception should apply only to individuals who do not regularly or principally function as a mortgage loan originator. Some commenters noted that the exception could instead be based on the percentage of time an employee spends engaged in the origination of residential mortgage loans.

The Agencies also received conflicting comments on whether to aggregate a subsidiary's loans with the parent institution for determining *de minimis* qualification. One commenter opposed such aggregation, while another stated that an institution should be required to aggregate its loan data with that of its subsidiaries so that institutions could not "game" the system by creating new subsidiaries each time a subsidiary approaches the *de minimis* limit. Still other commenters pointed out that it would be very time consuming and burdensome to game the *de minimis* limit—rendering gaming opportunities essentially unrealistic.

Many commenters noted the complexity of the proposed exception. One commenter stated that the *de minimis* exception would not have any significant effect because the complexity of complying with it would outweigh its benefits. Others noted that the proposed exception would be difficult for an institution to monitor and maintain. Some commenters appeared to misinterpret the proposed aggregate exception.

The Agencies agree that the *de minimis* exception should be simplified, and, in particular, that it should be structured so that it may be utilized by an individual who does not regularly or principally function as a mortgage loan originator employed by any Agency-regulated institution, regardless of the size or loan volume of the institution. Therefore, the final rule eliminates the aggregate exception and includes only the first prong of the proposed *de minimis* exception, which applies only to individuals. The final rule also provides that this exception only applies if the employee has never before been registered or licensed through the Registry.

Final § \_\_.101(c)(2) thus provides that the registration requirements of this section do not apply to an employee of an Agency-regulated institution who has never been registered or licensed through the Registry as a mortgage loan originator and who has acted as a

mortgage loan originator for 5 or fewer residential mortgage loans during the last 12 months. In order to prevent manipulation of the registration requirement by structuring this exception to apply to multiple employees who each would not meet the exception's threshold for registration, the final rule prohibits any Agency-regulated institution from engaging in any act or practice to evade the limits of the *de minimis* exception. The Agencies believe that replacing the proposed institution limit with this anti-evasion prohibition is appropriate and will discourage circumvention of registration requirements without increasing an institution's administrative burden.

Monitoring compliance with the exception as revised should be less burdensome for Agency-regulated institutions. In addition, in the Agencies' view, this revised exception better balances the usefulness of the exception to Agency-regulated institutions and their mortgage loan originators with the consumer protection and fraud prevention purposes of the S.A.F.E. Act. Although the final rule specifically applies this anti-evasion provision to the *de minimis* exception, Agency-regulated institutions must not engage in any act or practice to evade any other requirement of the S.A.F.E. Act or this final rule.

The Agencies note that, as with the proposal, an employee must register with the Registry prior to engaging in mortgage loan origination activity that exceeds the exception limit. In addition, the Agencies note that the *de minimis* exception contained in the final rule is voluntary; it does not prevent a mortgage loan originator who meets the criteria for the exception from registering with the Registry if the originator chooses to do so or if his or her employer requires registration.

The Agencies note that the Federal Housing Finance Agency (FHFA) has directed Fannie Mae and Freddie Mac to require all mortgage loan applications to include the mortgage loan originator's unique identifier. For Agency regulated institutions, Fannie Mae and Freddie Mac have announced that this requirement will apply to applications dated on or after the date the Agencies require mortgage loan originators to obtain unique identifiers.<sup>1</sup> Agency-

<sup>1</sup> See FNMA LL 02–2009: New Mortgage Loan Data Requirements (02/13/09); Fannie Mae Announcement 09–11, Mortgage Loan Data Requirements Update (10/6/09) and Announcement 09–11, Mortgage Loan Data Requirements Related FAQs (2/4/10); and Freddie Mac Single-Family Seller/Service Guide Bulletin, No: 2009–27 (12/4/09). The Agencies contemplate that the Registry

regulated institutions should be aware of this requirement and any future guidance that FHFA may issue to address the Agencies' implementation of the Federal registration process, including the *de minimis* exception.

The Agencies received a comment from one large financial institution requesting that we clarify whether the failure of a mortgage loan originator to register pursuant to this rulemaking has any substantive impact on a mortgage loan made by an institution that employs that originator. Neither the S.A.F.E. Act nor this final rule provides that a mortgage loan originator's failure to register as required affects the validity or enforceability of any mortgage loan contract made by the institution that employs the originator.

A few commenters suggested that in addition to the registration requirements, the final rule should impose educational and testing requirements on mortgage loan originators, as the S.A.F.E. Act does for State-licensed originators. The Agencies decline to impose such requirements. The S.A.F.E. Act does not include educational or testing requirements for mortgage loan originators employed by Agency-regulated institutions. In addition, as noted previously, the statute imposes different requirements on mortgage loan originators employed by Agency-regulated institutions. The Agencies note that these institutions already are subject to extensive Federal oversight, including regular on-site examination of their mortgage lending activities.

#### Section \_\_.102—Definitions

Section \_\_.102 defines the terms used in the final rule. If a term is defined in the S.A.F.E. Act, the Agencies generally have incorporated the same definition in the final rule. The final rule also includes other definitions currently used by the NMLS in order to promote consistency and comparability, insofar as is feasible, between Federal registration requirements and the States' licensing requirements.

*Annual renewal period.* Proposed § \_\_.102(a) required that a mortgage loan originator renew his or her registration annually during the annual renewal period and defined this period as November 1 through December 31 of each year. This is the same annual renewal period currently provided by the NMLS to mortgage loan originators regulated by a State.

will provide aggregate public data on unique identifier information stored in the system to Fannie Mae and Freddie Mac for compliance purposes.

This time period for renewals generated many comments. A few commenters suggested that the renewal period for Agency-regulated institutions should be at a different time of year than for originators regulated by a State. Others stated that the renewal period should be based upon the original registration date or original hire date, noting that a staggered registration process would be less burdensome for the Registry. Another commenter suggested that the employing institution determine its own renewal period for its employees. Still other commenters requested that this renewal period be lengthened from 60 to 90 days.

The Agencies decline to change the dates for the annual renewal period. As indicated above, the current system for originators regulated by a State is configured for an annual renewal period from November 1 through December 31. A different renewal period for originators employed by Agency-regulated institutions would involve functionality changes to the existing system, adding costs and lengthening the implementation time. In addition, the Agencies note that different renewal periods could cause confusion and added burden to those originators who may work for both a State-regulated and Agency-regulated institution or who may switch from a State-regulated institution to an Agency-regulated institution during the year, and to employers of such originators, as well as for institutions that control both State- and Agency-regulated institutions. For these same reasons, the Agencies also decline to increase the renewal period from 60 to 90 days. Therefore, the final rule retains the proposed renewal period of November 1 through December 31 of each year.

**Mortgage loan originator.** The proposed definition of “mortgage loan originator” was based on the definition of the term “loan originator” included in the S.A.F.E. Act at section 1503(3) (12 U.S.C. 5102(3)). As defined by the S.A.F.E. Act, this term means an individual who takes a residential mortgage loan application and offers or negotiates terms of a residential mortgage loan for compensation or gain. The term does not include an individual who is not a mortgage loan originator and: (1) Performs purely administrative or clerical tasks on behalf of an individual who is a mortgage loan originator; (2) performs only real estate brokerage activities (as defined in section 1503(3)(D) of the S.A.F.E. Act (12 U.S.C. 5102(3)(D))<sup>1</sup> and is licensed

or registered as a real estate broker in accordance with applicable State law, unless the individual is compensated by a lender, a mortgage broker, or other loan originator or by any agent of such lender, mortgage broker, or other mortgage loan originator; or (3) is solely involved in extensions of credit related to timeshare plans, as that term is defined in 11 U.S.C. 101(53D).<sup>1</sup>

For purposes of the definition of mortgage loan originator, section 1503(3)(C) of the S.A.F.E. Act (12 U.S.C. 5102(3)(C)) defines “administrative or clerical tasks” to mean: (1) The receipt, collection, and distribution of information common for the processing or underwriting of a loan in the mortgage industry; and (2) communication with a consumer to obtain information necessary for the processing or underwriting of a residential mortgage loan. The proposal included this definition as well, with one nonsubstantive difference—the proposal used the phrase “residential mortgage industry” instead of “loan in the mortgage industry” in the first prong of the definition.

The Agencies included an appendix to the proposal that listed examples of the types of activities the Agencies consider to be both within and outside the scope of residential mortgage loan

or providing real estate brokerage services to the public, including: (i) Acting as a real estate agent or real estate broker for a buyer, seller, lessor, or lessee of real property; (ii) bringing together parties interested in the sale, purchase, lease, rental, or exchange of real property; (iii) negotiating, on behalf of any party, any portion of a contract relating to the sale, purchase, lease, rental, or exchange of real property (other than in connection with providing financing with respect to any such transaction); (iv) engaging in any activity for which a person engaged in the activity is required to be registered or licensed as a real estate agent or real estate broker under any applicable law; and (v) offering to engage in any activity, or act in any capacity, described in clause (i), (ii), (iii), or (iv), above. S.A.F.E. Act at section 1503(3)(D) (12 U.S.C. 5102(3)(D)). Nothing in this rule would constitute an authorization for Agency-regulated institutions to engage in real estate brokerage, or any other activity, for which the institution does not have independent authority pursuant to Federal or State law, as applicable.

<sup>1</sup>“Timeshare plan” is defined in 11 U.S.C. 101(53D) as an interest purchased in any arrangement, plan, scheme, or similar device, but not including exchange programs, whether by membership, agreement, tenancy in common, sale, lease, deed, rental agreement, license, right to use agreement, or by any other means, whereby a purchaser, in exchange for consideration, receives a right to use accommodations, facilities, or recreational sites, whether improved or unimproved, for a specific period of time less than a full year during any given year, but not necessarily for consecutive years, and which extends for a period of more than three years. A “timeshare interest” is that interest purchased in a timeshare plan which grants the purchaser the right to use and occupy accommodations, facilities, or recreational sites, whether improved or unimproved, pursuant to a timeshare plan.

origination activities. The final rule retains this appendix with certain changes as discussed in this **SUPPLEMENTARY INFORMATION** section. Individuals who receive “compensation or gain” as used in the definition of mortgage loan originator and described in this appendix include individuals who earn salaries, commissions or other incentive, or any combination thereof.

The Agencies specifically requested comment on whether the definition of “mortgage loan originator” should cover individuals who modify existing residential mortgage loans, engage in approving loan assumptions, or engage in refinancing transactions and, if so, whether these individuals should be excluded from the definition. While a few commenters believed the Agencies should cover individuals engaged in such transactions, the majority of commenters on this issue stated that this rulemaking should not cover these individuals. In general, they indicated that mortgage loan modifications and assumptions are very different from mortgage loan originations, and that employees engaged in these transactions do not meet the S.A.F.E. Act’s definition of mortgage loan originator. Specifically, commenters indicated that these employees neither accept residential mortgage loan applications nor negotiate the terms of a new residential mortgage loan. Instead, they renegotiate an existing loan with the goals of mitigating any loss to the institution and, in the case of modifications, providing the borrower with a more affordable payment option or other type of modification, or, in the case of assumptions, replacing the party responsible for repaying the mortgage loan. Many commenters indicated that their employees who engage in modifications and assumptions do not ever originate mortgage loans, and that modifications and assumptions are performed in different departments of the institution. Many commenters also noted that applying the S.A.F.E. Act’s registration requirements to employees engaged in loan modifications and assumptions could significantly hamper loan modification efforts.

The determining factor in whether the S.A.F.E. Act applies to residential mortgage loan-related transactions is whether the employee engaged in the transaction meets the definition of “mortgage loan originator.” In general, neither modifications nor assumptions result in the extinguishment of an existing loan and the replacement by a new loan, but rather the terms of an existing loan are revised or the loan is assumed by a new obligor. Thus, Agency-regulated institution employees

<sup>1</sup> The S.A.F.E. Act defines “real estate brokerage activity” to mean any activity that involves offering

engaged in these activities typically do not take loan applications, within the meaning of the S.A.F.E. Act. Therefore, the Agencies conclude that the S.A.F.E. Act's definition of "mortgage loan originator" generally would not include employees engaged in loan modifications or assumptions because they typically would not meet the two-prong test of this definition. However, if an employee engaged in a transaction labeled a loan "modification" or "assumption" can be found to meet the definition of "mortgage loan originator," due to the nature of the specific transaction in question, he or she would be subject to the S.A.F.E. Act and this final rule. The substance of a transaction, not the label attached to it, is determinative of whether the Agency-regulated institution employee associated with it is a mortgage loan originator for purposes of this rule. For example, the Agencies believe that Agency-regulated institution employees engaged solely in bona fide cost-free loss mitigation efforts that result in reduced and sustainable payments for the borrower generally would not meet the definition of "mortgage loan originator." In this regard, it should be noted that third parties involved in foreclosure prevention activities for compensation or gain, although outside the scope of this rulemaking, may be subject to licensing and registration pursuant to State law.

The Agencies sought comment on whether the individuals who engage in certain refinancing transactions, specifically cash-out refinancing with the same lender, should be excluded from the definition of residential mortgage loan originator. Some industry commenters did not believe that such an exclusion was appropriate primarily because of the nature of a refinancing as a new loan and the potential for consumer abuse in these transactions. Other commenters also requested that we exclude individuals engaged in refinancings from the final rule's definition of mortgage loan originator, and that refinancings be excluded from the final rule's definition of residential mortgage loan, if the refinancing involves the same lender and the borrower obtained no cash proceeds. We decline to make this change. Refinancings are new loans, regardless of the lender, the loan terms, or proceeds, that involve a new application and an offer or negotiation of new loan terms. If an individual engaged in a refinancing transaction of a residential mortgage loan meets the two prongs of the definition of mortgage loan originator, he or she must comply with

the requirements of the S.A.F.E. Act and this final rule.<sup>1</sup>

Other commenters suggested that the Agencies exclude loan servicing personnel from the requirements of this rulemaking. We decline to take this suggested approach because the S.A.F.E. Act definition is based on the activities of mortgage loan origination, rather than the job classification of the individual. An individual, regardless of job title, is a mortgage loan originator if he or she engages in the activities of mortgage loan origination within the meaning of the S.A.F.E. Act. For example, if a loan servicing employee of an Agency-regulated institution mainly performs loan servicing activities but also occasionally engages in residential mortgage loan origination, that person is a mortgage loan originator, regardless of whether he or she is called "servicing personnel." On the other hand, for example, as discussed above in connection with loan modifications, a loan servicing employee engaged solely in bona fide cost-free loss mitigation efforts which result in reduced and sustainable payments for the borrower generally would not meet the definition of "mortgage loan originator." Loan servicing employees of Agency-regulated institutions must comply with the registration requirements of the final rule if they meet both prongs of the definition of "mortgage loan originator," unless they qualify for the *de minimis* exception under § .101(c)(2) of the final rule. Some commenters requested clarification that, when a servicing employee of an Agency-regulated institution works with a borrower to collect unpaid taxes or other costs pursuant to a repayment or collection plan, the employee is not acting as a mortgage loan originator under the Agencies' rules. The Agencies agree that such activities would generally not meet the two-prong test of this definition.

Some commenters asked the Agencies to explain whether the S.A.F.E. Act and this rule apply to residential mortgage loan originations made through an automated underwriting system, whereby an applicant inquires about, applies for, and/or receives a decision on an application electronically through an institution's Web site.<sup>1</sup> Although

<sup>1</sup> Some commenters noted that the Agencies should require only one mortgage loan originator for each mortgage loan. The Agencies decline to take this approach because the S.A.F.E. Act defines a mortgage loan originator according to the two-prong test set forth in the statute.

<sup>1</sup> Section 107(5)(A)(x) of the Federal Credit Union Act (12 U.S.C. 1757(5)(A)(x)) requires all loans to be approved by a credit committee or loan officer. For all Federal credit unions, and to the extent State-chartered credit unions operate under a similar State law or regulation, the statutory and

some institutions may choose to establish an automated system to collect application information and make an initial decision on a loan application, from a risk management and compliance perspective, an institution is expected to set the system parameters and monitor system output for compliance with various laws, regulations, and guidance on an ongoing basis. Such institutions are expected to register employees involved in that process who meet the definition of "mortgage loan originator," as appropriate. As indicated above, the Agencies note that Fannie Mae and Freddie Mac are requiring all residential mortgage loan applications dated on or after the compliance date for the unique identifier requirement to include the mortgage loan originator's unique identifier.<sup>1</sup> Institutions should keep apprised of any future guidance FHFA may issue to address this requirement.

For the reasons discussed above, the final rule includes the definition of "mortgage loan originator" as proposed, with one technical change to the definition of "administrative or clerical tasks" to make it identical to the definition of this term in section 1503(3)(C) of the S.A.F.E. Act (12 U.S.C. 5102(3)(C)).

*Nationwide Mortgage Licensing System and Registry or Registry.* Section .102(c) of the proposed rule's definition of these terms is based on the definition included in section 1503(5) of the S.A.F.E. Act (12 U.S.C. 5102(5)). Specifically, these terms mean the system developed and maintained by CSBS and the AARMR for the State licensing and registration of State-licensed mortgage loan originators and the registration of mortgage loan originators pursuant to section 1507 of the S.A.F.E. Act (12 U.S.C. 5106). As explained above, CSBS and the AARMR have established an online system, NMLS, that currently supports the licensing and registration of mortgage loan originators regulated by a State. The Agencies are working with CSBS to modify the NMLS to support the registration of mortgage loan originators employed by Agency-regulated institutions, and will rename this system the Nationwide Mortgage Licensing System and Registry. The Agencies received no comments on this definition and adopt it as proposed.

*Registered mortgage loan originator.* Pursuant to section 1503(7) of the S.A.F.E. Act (12 U.S.C. 5102(7)), the proposed rule defined this term to mean any individual who meets the definition

regulatory definition of mortgage loan originator is met and the S.A.F.E. Act does apply.

<sup>1</sup> See footnote 26.

of mortgage loan originator, is an employee of an Agency-regulated institution, and is registered pursuant to the requirements of this rule with, and maintains a unique identifier through, the Registry. This definition is the same as that included in the S.A.F.E. Act, except that the Agencies have modified it to apply only to individuals registered pursuant to regulations issued by the Agencies. The Agencies received no comments on this definition and adopt it as proposed.

**Residential mortgage loan.** As in section 1503(8) of the S.A.F.E. Act, (12 U.S.C. 5102(8)), the proposal defined “residential mortgage loan” as any loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling (as defined in section 103(v) of the Truth in Lending Act (TILA) (15 U.S.C. 1602(v))<sup>1</sup> or residential real estate upon which is constructed or intended to be constructed a dwelling. In addition, the proposal specifically included refinancings, reverse mortgages, home equity lines of credit and other first and second lien loans secured by a dwelling in this definition in order to clarify that originators of these types of loans are covered by the rule’s requirements.

One commenter suggested that ancillary liens on an underlying mortgage loan or liens taken to provide consumers with potential tax advantages should not be considered residential mortgage loans. In addition, another commenter asked that the definition of residential mortgage loan include an exception to exclude seller-sponsored financing of the sale of lender-owned property. The Agencies decline to adopt these exclusions to the definition of “residential mortgage loan” and adopt this definition as proposed. These types of loans clearly fall within the statutory definition of “residential mortgage loans,” and the S.A.F.E. Act makes no exceptions for these two situations. We do clarify, however, that this definition does not include loans for business, commercial, or agricultural purposes that use as collateral property that meets the definition of a “dwelling.”

As indicated in the **SUPPLEMENTARY INFORMATION** section to the proposed

<sup>1</sup> TILA defines “dwelling” as a residential structure or mobile home which contains one-to-four family housing units, or individual units of condominiums or cooperatives. 15 U.S.C. 1602(v). Board regulations and commentary include in this definition any residential structure that contains one to four units, whether or not that structure is attached to real property, and includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence. See 12 CFR 226.2(a)(19) (Regulation Z).

rule, the FCA emphasizes that section 1503(8) of the S.A.F.E. Act (12 U.S.C. 5102(8)) and § .102(e) do not amend or supersede sections 1.11(b) and 2.4(b) of the Farm Credit Act of 1971, as amended (12 U.S.C. 2019(b) and 2075(b)), and their implementing regulation, 12 CFR 613.3030(c), which establish the purposes for which FCS institutions may originate residential mortgage loans for eligible rural home borrowers.

**Unique Identifier.** The proposed rule’s definition of this term was almost identical to that in section 1503(12) of the S.A.F.E. Act (12 U.S.C. 5102(12)). The Agencies received no comments on this definition and adopt it as proposed. Specifically, the final rule defines “unique identifier” to mean a number or other identifier that: (1) Permanently identifies a registered mortgage loan originator; (2) is assigned by protocols established by the Registry and the Agencies to facilitate electronic tracking of mortgage loan originators, and uniform identification of, and public access to, the employment history of and the publicly adjudicated disciplinary and enforcement actions against mortgage loan originators; and (3) must not be used for purposes other than those set forth in the S.A.F.E. Act.

**Other terms.** The Agencies note that § .103(d) of the proposed and final rule uses the terms “control” and “financial services-related” in the descriptions of the information that is required of an employee who is a mortgage loan originator. These terms are currently defined in the Web-based MU4 form collecting information on State-licensed mortgage loan originators. In order to promote consistency of the information collected for Agency-regulated and State-licensed mortgage loan originators, the Agencies reiterate that the MU4 form’s definitions of those two terms also will be used in the Web-based form collecting information on Agency-regulated mortgage loan originators and, therefore have not defined them in this rulemaking.<sup>1</sup>

<sup>1</sup> The Registry currently defines “control” as the power, directly or indirectly, to direct the management or policies of a company, whether through ownership of securities, by contract, or otherwise. Any person that (i) is a general partner or executive officer, including Chief Executive, Chief Financial Officer, Chief Operations Officer, Chief Legal Officer, Chief Credit Officer, Chief Compliance Officer, Director, and individuals occupying similar positions or performing similar functions; (ii) directly or indirectly has the right to vote 10% or more of a class of a voting security or has the power to sell or direct the sale of 10% or more of a class of voting securities; or (iii) in the case of a partnership, has the right to receive upon dissolution, or has contributed, 10% or more of the capital, is presumed to control that company. The Registry’s current definition of “Financial services-

A number of commenters requested that the Agencies define “employee” for purposes of this rulemaking to provide more clarity regarding the individuals covered by the rule. Agency-regulated institutions must have a process for identifying which employees of the institution are required to be registered mortgage loan originators.<sup>2</sup> As the Supreme Court has explained, “where Congress uses terms that have accumulated settled meaning under \* \* \* the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms \* \* \*. In the past, when Congress has used the term ‘employee’ without defining it, we have concluded that Congress intended to describe the conventional master-servant relationship as understood by common-law agency doctrine.”<sup>3</sup> Section 7.07(3)(a) of the Restatement (Third) of Agency explains that “an employee is an agent whose principal controls or has the right to control the manner and means of the agent’s performance of work.”<sup>1</sup> The Agencies thus intend that the meaning of “employee” under the S.A.F.E. Act and this rule is consistent with the right-to-control test under the common law agency doctrine. The Agencies note in this regard that the IRS uses the common law right-to-control test as its basis for classification of workers as employees.<sup>2</sup> The result of this test generally determines whether an institution files a W-2 or a 1099 for an individual. The Agencies therefore expect an Agency-regulated institution would identify a mortgage loan originator as an individual subject to this final rule if, following consideration of the relevant facts, the institution determines that the individual is an employee of the Agency-regulated institution.<sup>3</sup>

related” means pertaining to securities, commodities, banking, insurance, consumer lending, or real estate (including, but not limited to, acting as or being associated with a bank or savings association, credit union, Farm Credit System institution, mortgage lender, mortgage broker, real estate salesperson or agent, appraiser, closing agent, title company, or escrow agent).

<sup>2</sup> See § .104(a).

<sup>3</sup> *Nationwide Mutual Ins. Co. v. Darden*, 503 U.S. 318, 322–23 (1992) (citing *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 739–40 (1989) (other citations omitted)).

<sup>1</sup> Restatement (Third) of Agency § 7.07(3)(a) (2006).

<sup>2</sup> IRS Publication 1779; see also Form SS-8, *Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding*.

<sup>3</sup> Agency-regulated institutions that are credit unions sometimes rely upon volunteers to originate mortgage loans. The right-to-control test under the common law agency doctrine likewise applies to these credit unions. Credit union management



Section \_\_.103—Registration of Mortgage Loan Originators

Section 1504(a) of the S.A.F.E. Act (12 U.S.C. 5103(a)) prohibits an individual who is an employee of an Agency-regulated institution from engaging in the business of a loan originator without registering as a loan originator with the Registry, maintaining annually such registration, and obtaining a unique identifier through the Registry. As in the proposal and described more specifically below, § \_\_.103 of the final rule imposes the responsibility for complying with these requirements on both the individual employee and the employing institution. In addition, both the employee and the employing institution must submit information to the Registry for each registration to be complete. The Agencies note that an employee of an Agency-regulated institution who is not actively engaged in residential mortgage loan activity is not prohibited from registering with the Registry.

**Employee registration requirement.** In general, § \_\_.103(a)(1) of the proposed rule required an employee of an Agency-regulated institution who acts as a mortgage loan originator to register with the Registry, obtain a unique identifier, and maintain his or her registration. This section further provided that any employee who is not in compliance with the registration and unique identifier requirements set forth in the proposed rule is in violation of the S.A.F.E. Act and this rule.<sup>1</sup> The Agencies note that this registration requirement would not apply if the employee qualifies for the *de minimis* exception.

The Agencies did not receive substantive comments specifically on this section and therefore adopt it as proposed.

**Institution requirement.** Proposed paragraph (a)(2) of § \_\_.103 provided

establishes the policies, procedures, and practices that volunteers use in performing their functions. Therefore, these volunteers qualify as employees of the Agency-regulated institution for purposes of the S.A.F.E. Act and this rule.

<sup>1</sup> The OCC, Board, FDIC, and OTS have the authority to take enforcement actions against their respective Agency-regulated institutions and individual employees of those institutions who violate the S.A.F.E. Act and this final rule, pursuant to 12 U.S.C. 1818. The FCA has authority to take enforcement actions against Farm Credit System institutions and individual employees who violate the S.A.F.E. Act and this final rule pursuant to Title V, Part C of the Farm Credit Act of 1971, as amended, 12 U.S.C. 2261 *et seq.* The NCUA has the authority to take enforcement actions against Federally-insured credit unions and their employees who violate the S.A.F.E. Act and this final rule under 12 U.S.C. 1786. For privately insured credit unions, memoranda of understanding between NCUA and applicable State supervisory authorities will establish enforcement authority.

that an Agency-regulated institution must require its employees who are mortgage loan originators to register with the Registry, maintain this registration, and obtain a unique identifier in compliance with this final rule. This provision also prohibited an Agency-regulated institution from permitting its employees to act as mortgage loan originators unless registered with the Registry pursuant to this final rule, after the applicable implementation periods specified in §§ \_\_.103(a)(3) and (a)(4)(ii) expire.

One commenter objected to this requirement as not being based on statutory language. Although the S.A.F.E. Act does not contain the same express prohibition as in the Agencies' proposed rule, determining the scope of mortgage loan origination activities that subject an individual or institution to the Act's requirements is well within the Agencies' authority to implement the statute. The imposition of this requirement on Agency-regulated institutions implements the purposes of the S.A.F.E. Act and ensures Agency-regulated institutions and their employees comply with all applicable laws. This commenter also stated that this requirement would be difficult to enforce because an employing institution may not know of the activities of its employees outside of their scope of employment at that institution. We agree with this commenter that the language in § \_\_.103(a)(2)(ii) should be clarified so that an institution's oversight of a mortgage loan originator applies only to the extent the originator is acting within the scope of his or her employment at that institution. We therefore adopt § \_\_.103(a)(2)(ii) with this one change.

**Implementation period for initial registrations.** Proposed § \_\_.103(a)(3) provided a 180-day implementation period for initial registrations beginning on the date the Agencies provide public notice that the Registry is accepting initial registrations. The Agencies have adopted this provision as proposed with one minor change to clarify that the implementation period begins on the date that the Agencies provide in their public notice, not the actual date of the public notice. Pursuant to the proposal, an employee could continue to originate residential mortgage loans without complying with the rule's registration requirement before and during this 180-day period. After this 180-day period expires, any existing employee or newly-hired employee of an Agency-regulated institution who is subject to the registration requirements would be prohibited from originating residential

mortgage loans without first meeting such requirements.

The Agencies specifically requested comment on whether this 180-day implementation period would provide Agency-regulated institutions and their employees with adequate time to complete the initial registration process. The Agencies also inquired as to whether an alternative schedule for implementation and initial registrations would be appropriate, what such an alternative schedule should be, and whether, and how, a staggered registration process should be developed.

The Agencies received many comments on this implementation period. Some commenters supported a 180-day period. Others supported the proposed 180-day implementation period provided that certain conditions are met, such as excluding loan modification and mitigation employees from the registration requirements, allowing batch processing, simplifying the employer verification requirements, and immediate confirmation of registration without delay for fingerprint or background check results.

Other commenters, however, stated that the proposed 180-day implementation period would not provide sufficient time to register the large number of employees subject to the registration requirement, properly train all employees, develop compliance policies, and program and implement system controls. Many noted that a longer period would prevent the Registry from being overwhelmed with registrations. Two commenters, including one Federal agency, stated that additional time will particularly benefit smaller financial institutions. Another commenter indicated that the time, effort, and resources required to meet new systems requirements can be extensive, and that a 180-day implementation period for such major changes would be extremely difficult for larger institutions. These commenters suggested an implementation period of nine months to one year. One commenter stated that each Agency should have the flexibility to grant additional time to register in the event the Registry becomes backlogged or inundated with a large volume of registrations. No commenter requested a shorter implementation period.

The Agencies understand that Agency-regulated institutions and their mortgage loan originator employees will face certain implementation issues in complying with the registration requirements established by this rulemaking. However, as indicated above, due to various system



modifications and enhancements required to make the existing system capable of accepting Federal registrants, the system is not expected to be available to accept Federal registrations before January 2011. The 180-day implementation period will not begin until the system is available to accept Federal registrations. This in effect provides institutions with an implementation period longer than 180 days as institutions and their employees can begin to implement the final rule's requirements before the Registry is operational, *i.e.*, develop policies and procedures, train employees, gather information needed for registration, and program and implement system controls before registration is required. In addition, CSBS and SRR will provide information to, and assist Agency-regulated institutions in preparation for, registration during this period. The Agencies believe that this additional time will provide mortgage loan originators, and the Agency-regulated institutions that employ them, adequate opportunity to prepare for the registration requirements. Any extension of the 180-day implementation period provided in the final rule will only further delay the registration of residential mortgage loan originators and, as a result, the consumer protection benefits of the S.A.F.E. Act. In addition, as described below, batch processing of at least some information likely will be available, which should make the registration process more efficient for both the institution and the registering employee. For these reasons, the Agencies decline to provide an implementation period longer than the proposed 180 days.

Many commenters indicated support for a staggered implementation period. Some noted that this could be based on institution size, loan origination volume, or employee qualifiers (such as birth date or last name). Some of these commenters, however, noted that they would support a staggered schedule only if it would provide a registration period of equal length for all registrants. Other commenters supported a staggered process that would give smaller institutions or institutions that do not originate many residential mortgage loans the greatest amount of time to comply with the requirements.

The Agencies agree that a staggered implementation process for those institutions that prefer one would be useful. Such a process would allow institutions to register their employees within specific time periods during the implementation period with the assistance of dedicated staff. Staggered registration would limit the number of

originators registering at any one time and spread the registration of originators throughout the implementation period. Although such a schedule mostly would benefit those institutions with the largest number of mortgage loan originators, it also should enable the Registry to accommodate all registrations in a more timely and efficient manner, thereby benefiting all institutions. Accordingly, the Agencies will work with CSBS and SRR to develop a staggered registration schedule for institutions, in particular those that are estimated to have a large number of mortgage loan originators subject to Federal registration, that request such a schedule. This staggered process would occur within the 180-day implementation period in order not to delay the registration of mortgage loan originators and the ability of consumers to fully utilize the Registry. Because institutions that request a staggered registration process would have a dedicated period during which to register within the 180-day period, registration burdens may be eased for these institutions, lessening their need for the full 180-day registration period. Details on this staggered approach will be provided to applicable institutions when they have been finalized and may include the availability of this dedicated staff prior to the start of the registration period.

*Special rule for previously registered employees.* Under paragraph (a)(4) of § \_\_.103 of the proposed and final rule, properly registered or licensed mortgage loan originators would not have to register again with the Registry when they change employment by moving from one Agency-regulated institution to another or from a State-regulated institution to an Agency-regulated institution, regardless of whether the change in employment is made voluntarily, through an acquisition or merger of the employee's prior employer, or through a reorganization where previously State-licensed mortgage loan originators become subject to the registration requirements of Agency-regulated institutions. Instead, the employee and employing institution need only update information in the Registry and complete the required authorizations and attestation.

Specifically, proposed paragraph (a)(4) of § \_\_.103 provided that if a new employee of an Agency-regulated institution had previously registered with, and obtained a unique identifier from, the Registry prior to becoming an employee of that institution and has maintained that registration (or license, if previously employed by a non-

Agency-regulated institution), the registration requirements of this final rule are deemed to be met provided that: (1) The employee's employment information in the Registry is updated and the employee has completed the required authorizations and attestation; (2) new fingerprints of the employee are provided to the Registry for a background check, except in the case of mergers, acquisitions or reorganizations; (3) information concerning the new employing institution is provided to the Registry pursuant to § \_\_.103(e)(1)(i), to the extent the institution has not previously met these requirements, and § \_\_.103(e)(2)(i);<sup>1</sup> and (4) the registration is maintained pursuant to the requirements of §§ \_\_.103(b) and (e)(1)(ii) as of the date that the employee becomes employed by the institution.

Some commenters requested that the Agencies reduce these requirements in order to further facilitate the movement of employees from one institution to another and prevent unnecessary interruption of mortgage origination activity. However, the Agencies believe that the current provision adequately reduces regulatory burden on Agency-regulated institutions as well as the residential mortgage industry when registered mortgage loan originators change employers and will allow a mortgage origination transaction in process at the time of the employment change to proceed smoothly. It requires less than what would be needed to complete a new registration and requires only that information necessary to update the employee's registration and confirm the identity of the originator and the employer, thereby preventing fraudulent information from being submitted to the Registry. However, we have amended § \_\_.103(a)(4)(i)(B) to provide that new fingerprints are not required to be submitted, pursuant to § \_\_.103(d)(1)(ix), if the registered loan originator has fingerprints on file with the Registry that are less than three years old. The Registry will use these existing prints for purposes of the background check. This three-year age limit is consistent with the procedures to be used by SRR for mortgage loan originators licensed by a State. We note that, as proposed, the final rule does not

<sup>1</sup> These provisions require: The institution's name; main office address; IRS Employer Tax Identification Number; Research Statistics Supervision Discount (RSSD) number; identification of the institution's primary Federal regulator; contact information for individuals at the institution for Registry purposes; applicable subsidiary information, and confirmation that it employs the registrant. Information regarding an institution's RSSD number is available from the Board.

require fingerprints or a new background check when the change in employers is due to an acquisition, merger, or reorganization because these transactions carry a lower risk of fraud and identity theft. The Agencies note that institutions should still conduct prudent screening of prospective employees to confirm their identities.

In response to a comment, the Agencies note that paragraph (a)(4) of § \_\_.103 applies when an employee of an Agency-regulated institution becomes an employee of another Agency-regulated institution, regardless of whether the entities are affiliated. Similarly, when an employee of a subsidiary of an Agency-regulated institution becomes an employee of the institution, the requirements of § \_\_.103 apply.

In order to reduce regulatory burden and to prevent an interruption in mortgage origination activity, the proposed § \_\_.103(a)(4)(ii) provided a 60-day grace period to comply with the § \_\_.103(a)(4)(i) requirements when a registered mortgage loan originator becomes an employee of an Agency-regulated institution as a result of an acquisition, merger, or reorganization. Some commenters agreed that this 60-day grace period is appropriate and provides the proper balance between implementing the purpose of the S.A.F.E. Act and protecting consumers. Other commenters, however, requested that this period be extended to 90 or 180 days due to the complexity and protracted nature of the merger and acquisition process. Some commenters also requested that a 60-day grace period apply to all changes in employment, regardless of whether the change is the result of a merger or acquisition transaction.

Final § \_\_.103(a)(4)(ii) retains the proposed 60-day grace period for a change in employers due to acquisitions, mergers, or reorganizations. The Agencies find that 60 days is an adequate time for institutions and their employees to update registrations in the case of these transactions and agree with the commenters who stated that this time period balances the purposes of the S.A.F.E. Act and consumer protection.

Additionally, the Agencies find that a grace period is not necessary when a mortgage loan originator changes employers for other reasons. This situation does not raise the same compliance burden as does an acquisition, merger, or reorganization, in which a large number of employees are switching employers at the same time. Therefore, as proposed, the final rule requires that these registered

mortgage loan originators comply with the requirements of § \_\_.103(a)(4) before they may originate residential mortgage loans for their new employer.

Another commenter requested that the Agencies permit an employer to submit one update concerning all affected employees in the case of an acquisition, merger, or reorganization, rather than having each individual employee submit what is largely identical information about their change in employer. The Agencies agree that this approach would reduce burden for the employee, institution, and the Registry. We specifically have instructed CSBS and SRR to develop a process for these transactions that would allow the bulk transfer of business location and contact information for all mortgage loan originators from one institution to another. However, each individual employee still must complete the authorization and attestation for their own updated registration record.

The Agencies adopt proposed § \_\_.103(a)(4) with the addition of the language discussed above related to fingerprints in § \_\_.103(a)(4)(i)(B). The Agencies also have modified § \_\_.103(a)(4) to clarify that an employee of a bank who has been properly registered or licensed as a mortgage loan originator need only update information in the Registry, and complete the required authorizations and attestation, whether that employee is a new employee of the Agency-regulated institution or becomes subject to this final rule while an employee of the institution.

The Agencies note that the registration of a mortgage loan originator who leaves any employer will be recorded as inactive in the Registry until he or she is hired by another entity, his or her record is updated in accordance with the final rule's requirements, and the new employer acknowledges employing the mortgage loan originator through the Registry. The individual will be prohibited from acting as a mortgage loan originator at an Agency-regulated institution until such time as the registration is reactivated, unless covered by the 60-day grace period for acquisitions, mergers, and reorganizations.

*Maintaining Registration.* Under proposed § \_\_.103(b)(1)(i), a registered mortgage loan originator must renew his or her registration with the Registry during the annual renewal period, November 1 through December 31 of each year. To renew, the employee must confirm that the information previously submitted to the Registry remains accurate and complete, updating any

information as appropriate. Any registration that is not renewed during this period will become inactive, and the individual will be prohibited from acting as a mortgage loan originator at an Agency-regulated institution until such time as the registration requirements are met. However, an individual who fails to update information during this period may renew his or her registration at any time and does not need to wait until the start of the next annual renewal period. Inactive mortgage loan originators will not be assigned a new unique identifier if they reactivate their registration.

Some commenters opposed the requirement to renew registrations annually as overly burdensome and unnecessary. Some suggested alternatively that a registration remain valid until there is a change in employment status or other change that requires an update of database information. Others recommended that the renewal be every two, three, or five years, or based on the experience of the originator. The Agencies understand that an annual renewal process requires an expenditure of time and resources by individual originators and their employing Agency-regulated institutions. However, section 1504 of the S.A.F.E. Act (12 U.S.C. 5103), requires that mortgage loan originators maintain their registration annually. Therefore, the Agencies can not eliminate, or lengthen, the time between renewals. For this reason, the Agencies adopt § \_\_.103(b)(1)(i) as proposed without revision. We note that the automated processing of annual renewals, as more fully described below, could lessen the impact on the resources needed for these renewals.

One commenter suggested that the final rule not require a mortgage loan originator to renew his or her registration during this annual renewal period if registration was made less than six months prior to the end of the renewal period. The Agencies believe this change is reasonable and within the scope of the S.A.F.E. Act. We have amended the final rule accordingly by adding new paragraph (b)(3) to final § \_\_.103. However, a mortgage loan originator still is required to update his or her registration during this six month period if any information provided to the Registry at the time of registration changes, pursuant to § \_\_.103(b)(1)(ii), described below.

In addition to the annual renewal, proposed § \_\_.103(b)(1)(ii) provided that a registration must be updated within 30 days of the occurrence of any of the following events: (1) A change in the employee's name; (2) the registrant

ceases to be an employee of the institution; or (3) any of the employee's responses to the information required for registration pursuant to paragraphs (d)(1)(iii) through (viii) of § \_\_.103 become inaccurate.

A few commenters requested that the Agencies increase this 30-day period for updates to 60 or 90 days. The Agencies believe that the Registry should be updated as soon as possible and therefore have not adopted this requested change. Updates are needed on only a case-by-case basis and therefore, unlike in the case of mergers and acquisitions, should not be burdensome to registrants or employing institutions. In addition, the 30-day updating period is consistent with what is required currently for State-licensed mortgage loan originators. Therefore, final § \_\_.103(b)(1)(ii) includes a 30-day update requirement, as proposed.

Proposed § \_\_.103(b) also required any employee who registers with the Registry to maintain his or her registration unless the employee is no longer a mortgage loan originator. As a result of this provision, once an employee registers as a loan originator with the Registry, the employee will be required to continue this registration until he or she is no longer engaged in the activity of a mortgage loan originator, even if, in any subsequent 12-month period, the employee originates fewer mortgage loans than the number specified in the *de minimis* exception provision. The purpose of this requirement is to prevent the creation of a timing loophole that could allow mortgage loan originators to avoid registration requirements.

As indicated in the proposal's **SUPPLEMENTARY INFORMATION** section, the Agencies have considered whether the rule should provide for a temporary waiver of the rule's registration requirements or for extension of the initial registration or renewal period, in case of emergency, system malfunction, or other event beyond the control of the Agency-regulated institution or the mortgage loan originator. One commenter expressed support for this concept but noted that such an exception should be narrowly drawn so as not to create a loophole in the registration requirement and suggested that each Agency select an official who has authority to designate an emergency deadline extension for good cause. Another commenter also supported a waiver when events beyond the institution's control made timely registration impossible.

The Agencies agree that on rare occasions there may be exigent circumstances or situations when the

Agencies may deem it appropriate to temporarily waive or suspend the requirements of this rule or extend the initial registration or renewal periods. The Agencies do not believe, however, that the final rule must include specific language to effectuate such waivers, suspensions, or extensions. As is the Agencies' practice in other supervisory contexts, if a situation arises that warrants such an action, such as a serious interruption of communication, computer, or fingerprint collection systems at one or more institution(s) caused by circumstances beyond the institution's control, or an extended interruption of Registry service, the Agencies will announce the availability of waivers, suspensions, or extensions of time. In addition, Agency-regulated institutions may contact their regulators to discuss possible relief on a case-by-case basis.

*Effective date of registrations and renewals.* Proposed § \_\_.103(c) provided that a registration is effective on the date that the registrant receives notification from the Registry that all employee and institution information required by paragraphs (d) and (e) of § \_\_.103 has been submitted and the registration is complete, and that a renewal or update of a registration is effective on the date the registrant receives notification from the Registry that all applicable information required by paragraphs (b) and (e) of § \_\_.103 has been submitted and the renewal or update is complete.

We have made two changes to this provision in the final rule. Because the Registry is not technically capable of determining when a registrant actually receives its notification that the registration is complete, we have amended this provision to indicate that a registration is effective when the Registry transmits notification to the registrant that the registrant is registered. In addition, we have streamlined this provision to clarify that this notification of registration completes the registration process. We have made similar changes to § \_\_.103(c)(2) regarding renewals and updates.

We note that, except as provided by the 180-day implementation period in § \_\_.103(a)(3) or the 60-day grace period provided in § \_\_.103(a)(4), an employee must not engage in residential mortgage loan origination activity if his or her registration is not yet effective or has not been renewed or updated pursuant to this rule.

A number of commenters requested further clarification of this effective date, and specifically requested that the effectiveness of the registration not be delayed for the processing of a

registrant's fingerprints or receipt of a criminal background check. The Agencies did not intend to delay the effective date for fingerprint or criminal background check processing. There is no requirement for the processing of these fingerprints or the completion of a background check before a registration becomes effective. Nor, as indicated previously in this **SUPPLEMENTARY INFORMATION** section, is the effectiveness of a registration contingent on Agency or Registry review or approval of the information submitted to the Registry. Pursuant to the rule, in order to register, the information required by § \_\_.103(d) and (e) must be submitted, and, in order to renew or update a registration, the information required by § \_\_.103(b) must be submitted. The Registry will conduct a completeness check of the information submitted by or on behalf of the registrant. At the time the Registry determines all required information has been submitted and all Registry requirements have been met, such as payment of applicable fees charged by the Registry, it will transmit notification electronically to the registrant that he or she is registered or that his or her registration is renewed or updated, as applicable. The employing institution will be responsible for reviewing the criminal history background report once it is completed, and taking any necessary action based on the findings of this report, pursuant to the institution's policies and procedures, as required by this final rule. We note that the registrant will obtain a unique identifier during the registration process and not when the registration is complete.

Section 1510 of the S.A.F.E. Act (12 U.S.C. 5109), expressly authorizes the Registry to "charge reasonable fees to cover the costs of maintaining and providing access to information from the [Registry], to the extent that such fees are not charged to consumers for access to such [Registry]." We anticipate that the Registry will charge fees for registration, change in employment, renewal, and fingerprint processing and background checks. Although some commenters specifically requested information on the anticipated costs associated with registering with the Registry, the Agencies are at this time unable to provide this information as the fees have yet to be established by CSBS and SRR. The Agencies are consulting with the CSBS and SRR regarding the fees that the Registry expects to impose. One commenter specifically asked the Agencies to grant Agency-regulated institutions the opportunity to comment on fees. CSBS

has indicated that it intends to provide an opportunity for the public to comment on these fees, and any future adjustments to such fees, before their imposition on Federal registrants and/or their employing institutions.<sup>1</sup>

*Required employee information.*

Section 1507(a)(2) of the S.A.F.E. Act (12 U.S.C. 5106(a)(2)) specifically requires, in connection with the registration of a mortgage loan originator, the Agencies to furnish, or cause to be furnished, to the Registry information concerning an employee's identity, including fingerprints and personal history and experience. Final § \_\_.103(d) implements this requirement and lists the categories of information that mortgage loan originators, or the employing Agency-regulated institution on behalf of the mortgage loan originator, will be required to submit to the Registry. Agency-regulated institutions may select one or more individuals to submit the employee information required by this paragraph to the Registry on behalf of each of their mortgage loan originators to facilitate the registration process. At the request of commenters, we have added a new paragraph (d)(3) to the final rule that specifically permits institutions to select such individuals to submit employee information on behalf of mortgage loan originators employed by the institution. The final rule specifically prohibits these selected individuals from acting as mortgage loan originators. We note that regardless of the manner that the information is provided to the Registry, the registering employee, and not the employing institution or other employees, must complete the authorizations and attestation required by § \_\_.103(d)(2), and described below, for the registration to be complete.

Under proposed § \_\_.103(d), the employing Agency-regulated institution would have been required to have its registering employees submit, or to submit on behalf of its employees, information regarding the employee's identity (name and former names, social security number, gender, and date and place of birth) and home and business contact information; date the employee became an employee of the Agency-regulated institution; financial services-related employment and financial history for the past 10 years; criminal history involving certain felonies and

misdeemeanors; history of financial services-related civil actions, arbitrations and regulatory and disciplinary actions or orders; financial services-related professional license revocations or suspensions; voluntary or involuntary employment terminations based on violations of law or industry standards of conduct; and certain actions listed above that are pending against the employee. This information is similar to that required by the current NMLS data collection form for mortgage loan originators regulated by a State, form MU4. The information applies to employees but includes responsive information prior to their employment at the Agency-regulated institution.

The Agencies received many comments on this provision. Although some supported the proposed list of information to be submitted to the Registry, many others requested that the Agencies narrow this list, stating that the extent of personal information required by the proposal is overbroad, intrusive, and burdensome. Commenters also requested that we clarify the information that is required to be submitted.

Based on the comments received, the Agencies have carefully reviewed this list and agree that some of this information is more relevant for licensing purposes than for registration. In particular, we found that the collection of some of this information, which would not be publicly available to consumers, is not necessary to implement the purposes and requirements set forth in section 1502 of the S.A.F.E. Act (12 U.S.C. 5101).

Based on this review, we have deleted proposed § \_\_.103(d)(1)(iii) from the final rule, which would have required submission of the registrant's financial history information (such as bankruptcies, unsatisfied judgments, liens, paid-out bonds, *etc.*). This information would not be available to consumers under this rulemaking and is not required for registration by the statute. It therefore does not further the objectives of the S.A.F.E. Act.

In addition, the submission of employment termination information to the Registry is more appropriate for the purpose of licensing, as a State regulator would use this information to make a decision on licensure, conducting further inquiry, if appropriate. Because this sensitive information would not be made public, we have deleted proposed § \_\_.103(d)(1)(x), which required submission of information regarding employment terminations to the Registry, from the final rule.

We also have not included in the final rule the requirement to provide

information on pending matters. Because these matters are not final actions, requiring this information would effectively penalize mortgage loan originators before a decision had been rendered. We note that if a pending action does become final, it must be reported to the Registry and made publicly available within 30 days, pursuant to § \_\_.103(b)(1)(ii).

The Agencies also have revised the requirement in proposed § \_\_.103(d)(1)(iv) to provide information on the mortgage loan originator's felony and misdemeanor criminal history. The proposal provided that the registrant supply information regarding felony convictions or other final criminal actions involving a felony against the employee or organizations controlled by the employee; or misdemeanor convictions or other final misdemeanor actions against the employee or organizations controlled by the employee involving financial services, a financial services-related business, dishonesty, or breach of trust. After further review, the Agencies found the proposal's language too broad, and as a result, would have required the registrant to disclose convictions that are not directly relevant to his or her work as a mortgage loan originator. As such, this information is not necessary to meet the purposes or requirements of the S.A.F.E. Act.

Final and redesignated § \_\_.103(d)(1)(iii) removes the distinction between felonies and misdemeanors and narrows the category of final actions an employee must disclose to the Registry to final criminal actions that involve dishonesty or breach of trust or money laundering. In addition, to fully encompass all relevant final criminal actions, the final rule amends this category of information to include an agreement to enter into a pretrial diversion or similar program in connection with the prosecution for such offense.<sup>1</sup> This language derives from section 19(a)(1) of the FDI Act (12 U.S.C. 1829), which, in general, prohibits the participation of individuals convicted of such offenses from participating in the affairs of an insured depository institution. The Agencies intend to rely on FDIC rules and guidance interpreting section 19(a)(1) of the FDI Act with respect to the interpretation of criminal offenses

<sup>1</sup> The agencies note that the NMLS currently charges fees for the licensing of State originators; however, fees for Federal registrants and their employing Agency-regulated institutions may differ from those currently imposed on State licensees. See the NMLS Web site at <http://www.state.regulatoryregistry.org> for information regarding fees imposed on State originators.

<sup>1</sup> An agreement to enter into a pretrial diversion or similar program is defined by the FDIC as a suspension or eventual dismissal of charges or criminal prosecution upon agreement of the accused to treatment, rehabilitation, restitution, or other noncriminal or nonpunitive alternatives. FDIC Statement of Policy for Section 19 of the FDIC Act, 63 FR 66177 (Dec. 1, 1998).

covered under section 19 of the FDI Act.<sup>2</sup> Therefore, amending the proposal to include this language in the final rule provides clearer guidance to originators and their Agency-regulated institution employers of the types of criminal offenses required to be disclosed. For example, the FDIC excludes expunged, sealed and juvenile offenses and, therefore, the Agencies would not expect this information to be provided to the Registry.<sup>3</sup> The final rule also would not require acquittals to be reported.

The Agencies find the remaining information required by the proposal to be submitted to the Registry relevant to the registration process and the purposes and requirements of the S.A.F.E. Act. Section 1507(a)(2) of the S.A.F.E. Act (12 U.S.C. 5106(a)(2)) specifically requires that information regarding the registrant's identity, including personal history and experience, be furnished to the Registry. Identifying information, such as name (and any other names used, such as a nickname, full legal name, or maiden name), home address, address of principal business location and business contact information (business phone number and e-mail address) and the registrant's prior financial services-related employment history (not all of which will be made public) is necessary to meet this requirement. In addition to this information, the registrant's social security number, gender, and date and place of birth are necessary to conduct the criminal history background check required by section 1507(a)(2)(A) of the S.A.F.E. Act (12 U.S.C. 5106(a)(2)(A)). Likewise, the required information concerning final criminal actions (as amended), financial services-related civil judicial actions, publicly-adjudicated regulatory and disciplinary actions or orders, financial services-related professional license revocations or suspensions, and financial services-related customer-initiated arbitration and civil actions will be made public on the Registry, and, therefore, further the purpose of the S.A.F.E. Act to provide consumers with easily accessible information on disciplinary and enforcement actions against the originator. The Agencies therefore adopt the final rule with the requirement to provide this information to the Registry.

Pursuant to section 1507(a)(2)(A) of the S.A.F.E. Act (12 U.S.C. 5106(a)(2)(A)), proposed § \_\_.103(d)(xii) (redesignated as § \_\_.103(d)(ix) in the final rule) also required employees to provide fingerprints, in digital form if

practicable, to the Registry for submission to the FBI and any governmental agency or entity authorized to receive such information for a State and national criminal history background check. The proposal permitted the use of fingerprints currently on file with the employing Agency-regulated institution if taken less than three years prior to the employee's registration with the Registry.

This requirement elicited many comments. Some commenters requested that the Agencies permit institutions to continue accessing existing fingerprint channels recognized and supported by existing relations with the FBI. Some commenters also suggested that the final rule should deem background checks conducted by the institution during the hiring process as compliant with the S.A.F.E. Act's fingerprint and background check requirement. Commenters also requested that the final rule permit the submission of fingerprints collected 10 or 15 years prior to registration. Many of the commenters argued that an age limit is unnecessary as fingerprints do not change over time. In addition, commenters noted that allowing the use of existing fingerprints, no matter when collected, will reduce registration costs and delays.

The S.A.F.E. Act specifically requires fingerprints to be furnished to the Registry for purposes of submission to the FBI, and any governmental agency or entity authorized to receive such information for a State and national criminal history background check.<sup>1</sup> The S.A.F.E. Act does not specifically require certain persons or entities to furnish these fingerprints, nor prohibit other entities from furnishing fingerprints to the Registry. However, the FBI only will accept fingerprints from entities authorized as channelers of this information.

In order to ensure that fingerprints are up-to-date, we have amended the redesignated § \_\_.103(d)(1)(ix) to provide that fingerprints that are less than three years old may be used to satisfy the requirement to furnish fingerprints to the Registry. As indicated previously, this three-year age limit is consistent with the procedures to be used by SRR for mortgage loan originators licensed by a State. Institutions should consult their existing channelers regarding the

furnishing of fingerprints that are less than three years old to the Registry.

CSBS and SRR are currently modifying the NMLS to act as a channeler for fingerprints of State license applicants, pursuant to the S.A.F.E. Act, and Federal registrants may use this same fingerprinting process when the NMLS is modified to accept Federal registrations.<sup>2</sup> The Agencies anticipate that CSBS and SRR will provide guidance to Agency-regulated institutions and their mortgage loan originators on the availability and details of this fingerprint process. CSBS and SRR intend that this fingerprinting process will be convenient and efficient for both State licensees and Federal registrants.<sup>1</sup>

Some commenters asked the Agencies to clarify whether the Registry may collect fingerprints and submit a request for a background check before the Agency-regulated institution employs a mortgage loan originator rather than waiting until after that individual is hired to submit fingerprints to the Registry. The Agencies have no objection to the Registry processing a background check just prior to the employment of a mortgage loan originator, should the Registry provide this service, and believe this could satisfy the requirements of the rule.

Some commenters also expressed the view that the Registry should have the capability to accept fingerprints in both paper and digital form. As in the proposed rule, the final rule does not require digital fingerprints, but does encourage the use of digital fingerprint submissions. If digital fingerprints are not available, the Registry will accept fingerprint cards, and will convert these cards to a digital format. The Agencies note that the rule's authorization to submit fingerprints in paper form is intended to assist smaller institutions for which compliance with a digital fingerprint requirement may not be feasible.

*Employee authorization and attestation.* Paragraph (d)(2)(i) of § \_\_.103 requires the employee to provide authorization for the Registry and the employing Agency-regulated

<sup>2</sup> Further information on the Registry's fingerprint and background check procedures can be found on the Registry's Web site at <http://www.stateregulatoryregistry.org/NMLS/>.

<sup>1</sup> SRR plans to contract with a nationwide vendor to take the fingerprints and forward them to the Registry, which will then obtain the criminal history background check based on these fingerprints. According to plans, this vendor will have locations throughout the country, may be made available on-site at institutions, and will provide a mail-in option for mortgage loan originators unable to provide their fingerprints in person.

<sup>1</sup> Section 1507(a)(2)(A) of the S.A.F.E. Act (12 U.S.C. 5106(a)(2)(A)). The Agencies note that, in the event that a mortgage loan originator is unable to provide fingerprints due to a physical condition, he or she should provide identifying information to the Registry consistent with FBI protocols.

<sup>2</sup> See *Id.* and 12 CFR 303.220–223.

<sup>3</sup> *Id.*

institution to obtain information related to sanctions or findings in any administrative, civil, or criminal action, to which the employee is a party, and, in paragraph (d)(2)(ii) of this section, to attest to the correctness of all information submitted to the Registry pursuant to paragraph (d) of this section.

In order to provide relevant information to consumers and to implement the purposes of the S.A.F.E. Act, paragraph (d)(2)(iii) requires the employee to authorize the Registry to make available to the public the information required to be submitted to the Registry pursuant to § \_\_.103(d)(1)(i)(A) and (C) and (d)(1)(ii) through (viii) (his or her name, other names used, name of current employer(s), current principal business location(s) and business contact information, 10 years of relevant employment history, and publicly adjudicated disciplinary and enforcement actions and arbitrations against the employee).

Although this rulemaking permits the employing institution or other institution employees to submit the information required by § \_\_.103(d)(1) to the Registry on behalf of the registering employee, the employee, and not the employing institution or its other employees, must complete the attestation and authorizations required by § \_\_.103(d)(2) for the registration to be complete. This task may not be delegated because it is necessary for the Registry to authenticate the employee's information.

The Registry plans to make this information available to the public in two phases. The first phase, implemented at the end of the initial registration period, would provide for public accessibility of the employee's name; other names used; name of current employer(s); current principal business location(s) and business contact information; and employment history. The remaining categories of information (publicly adjudicated disciplinary and enforcement actions and arbitrations against the employee) would be made public at a later date, once the Registry, in consultation with the Agencies, has designed and implemented a system through which the registrant may provide additional explanatory information to accompany a positive response to any of the disclosure questions regarding criminal history or the other information requested in paragraphs (d)(1)(iii) through (viii). The Agencies note that once the Registry makes this enhancement, registered mortgage loan originators will be able to provide this

explanatory information at any time, including during the annual renewal process, and that this explanatory language may be made public. Relevant nonpublic information submitted to the Registry will be only accessible to the Agencies and State regulators of mortgage originators, as appropriate, and the submitting mortgage loan originator and his or her employing institution.<sup>1</sup>

The Agencies received many comments on the public availability of personal information, particularly on how the Registry will store and prevent the unauthorized use of this personal information, and how nonpublic personal information will be appropriately protected. One commenter specifically stated that the final rule should take appropriate measures to ensure that the electronic submissions to the Registry are properly encrypted, authorized, and authenticated, and that the Registry complies with the FBI Criminal Justice Information Services Security Policy (CJIS Security Policy).<sup>2</sup>

The Agencies are well aware of the security concerns associated with providing personal information to the Registry and are contracting with SRR to ensure appropriate data protection elements are incorporated within the Registry to ensure compliance with the requirements of the Federal Information Security Management Act (FISMA) of 2002, PL 107-347; the CJIS Security Policy; and the related Security and Management Control Outsourcing Standard.<sup>3</sup> FISMA requires each Federal agency to develop, document, and implement an agency-wide program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source. Specifically, FISMA directed the promulgation of Federal standards for: (1) The security categorization of Federal information and information systems based on the objectives of providing appropriate levels of information security according to a range of risk levels; and (2) minimum security requirements for information and information systems in each such category.<sup>1</sup>

<sup>1</sup> SRR plans to make this *public* information stored on the Registry available on an aggregate basis to interested parties for compliance purposes.

<sup>2</sup> CJISD-ITS-DOC-08140-4.5, December 2008.

<sup>3</sup> See [http://www.fbi.gov/hq/cjisd/web%20page/pdf/05132009\\_outsourcing\\_standard.pdf](http://www.fbi.gov/hq/cjisd/web%20page/pdf/05132009_outsourcing_standard.pdf).

<sup>1</sup> See the National Institute of Standards and Technology (NIST) publications FIPS Pub 200, *Minimum Security Requirements for Federal Information and Information Systems*, March 2006

As a channeler and outsourcer of fingerprints, the FBI requires the Registry to comply with its CJIS Security Policy. The CJIS provides the minimum level of information technology security requirements determined acceptable for the transmission, processing, and storage of the nation's criminal justice information systems data. The purpose of this policy is to establish uniformity and consistency in safeguarding criminal justice information security data which is accessed via networks throughout the Federal, State, and local user community. However, this policy does not prohibit more stringent security policies.

The requirements for protecting the privacy and security of the personal information obtained from employees of Agency-regulated institutions, and the confidential information obtained from the institutions themselves, are essentially similar whether a particular mortgage loan originator is State licensed or Federally registered. SRR and CSBS will institute security protocols to protect the privacy and security of such information.

The Agencies adopt § \_\_.103(d)(2) as proposed, with the following conforming and clarifying changes. First, we have removed pending disciplinary and enforcement actions and arbitrations against the employee from the list of information the employee must authorize the Registry to make available to the public to conform with our amendment to § \_\_.103(d)(1). Second, we have amended § \_\_.103(d)(2)(ii) to require a registrant to attest to any update of their registration, in addition to their initial and renewal registrations. This requirement had inadvertently been left out of the proposed rule. Finally, we have added language to clarify that neither the employing institution, nor any of its other employees, may fulfill these attestation and authorization

and NIST Special Publication 800-53, *Recommended Security Controls for Federal Information Systems*, as amended. These standards specify minimum management, operational, and technical safeguards in 17 security-related areas needed to protect the confidentiality, integrity, and availability of Federal information systems and the information processed, stored, and transmitted by those systems. These security-related areas are: (1) Access control; (2) awareness and training; (3) audit and accountability; (4) certification, accreditation, and security assessments; (5) configuration management; (6) contingency planning; (7) identification and authentication; (8) incident response; (9) maintenance; (10) media protection; (11) physical and environmental protection; (12) planning; (13) personnel security; (14) risk assessment; (15) systems and services acquisition; (16) system and communications protection; and (17) system and information integrity.

requirements on behalf of the registering employee.

We also have added a new paragraph (d)(3) to clarify that an Agency-regulated institution may identify an employee or employees of the bank who may submit the employee information required by paragraph (d)(1)(i) to the Registry on behalf of the institution's employees, provided that this individual, and any employee delegated this authority, does not act as a mortgage loan originator, consistent with § 103(e)(1)(i)(F). In addition, as more fully explained below, this new paragraph specifically authorizes an institution to submit to the Registry some or all of the employee information required by paragraph (d)(1)(i) and the institution's information required by § 103(e)(2) for multiple employees in bulk through batch processing in a format to be specified by the Registry, to the extent such batch processing is made available by the Registry.

*Required Agency-regulated institution information.* The Agencies adopt proposed § 103(e)(1) with the following amendments, discussed below.

Paragraph (e)(1) of § 103 of the final rule requires the employing Agency-regulated institution to submit certain information to the Registry as a base record in connection with the registration of one or more mortgage loan originators. Specifically, the Agency-regulated institution must provide its name; main office address; business contact information, such as business phone number or e-mail address (not required by the proposed rule); primary Federal regulator; Employer Tax Identification Number (EIN) issued by the Internal Revenue Service; primary point of contact information; and contact information for "system administrators."

System administrators will have the authority to enter data required in paragraph (e) of this section on the Registry and will be responsible for keeping institution information and the list of employees registered with the Registry current. These individuals, however, may not act as mortgage loan originators. The Agencies recognize that some small institutions may not be able to comply with this latter requirement because all of their staff may be registered mortgage loan originators. Therefore, we have amended this provision to exempt institutions with 10 or fewer full time equivalent employees from the requirement that system administrators do not act as mortgage loan originators. However, this exemption does not apply to a subsidiary of an Agency-regulated

institution as the staff at the parent institution could perform this function. In the Agencies' experience, institutions with more than 10 full time equivalent employees generally have sufficient staff resources to support the segregation of these functions. The system administrators may delegate their authority and assign as many additional system users as necessary to comply with the registration requirements of the S.A.F.E. Act and the final rule, provided the delegated administrators meet this paragraph's requirements. While the primary point of contact also can be one of the institution's system administrators, the institution's management is responsible for ensuring proper oversight of the system administrator's activities.

In addition, paragraph (e)(1)(i)(C) of § 103 requires an Agency-regulated institution to provide its Research Statistics Supervision Discount (RSSD) number as identifying data for validating the base record. The RSSD database is maintained by the Board. The Agencies will provide the Registry with an extract of the Board's database, indexed by RSSD number, to facilitate an Agency-regulated institution's authorized access to the Registry and its establishment of a new base record. Upon receiving the information for a new base record from an Agency-regulated institution, the Registry will confirm the information by comparing the application with RSSD data supplied by the Agencies. The Agencies will establish a mechanism by which Agency-regulated institutions that do not have an RSSD number will be added to the RSSD database.

If the institution is a subsidiary of an Agency-regulated institution, the final rule requires the subsidiary to indicate that it is a subsidiary of the parent and to provide its parent institution's RSSD number in addition to its own RSSD number, if it has one. It is not required to obtain its own RSSD number. The proposal had required that the subsidiary provide its parent's name. We have revised this provision in the final rule to require the subsidiary instead to provide its parent's RSSD number, which is a more accurate method of identifying the parent institution than by name.

Some Farm Credit System-affiliated commenters requested that the Agencies consider using the FCA's existing identification system as an alternative for the RSSD number for FCS institutions. The Agencies decline to make this modification. Validation of Agency-regulated institutions will be most efficient and complete if all institutions can be identified through a

single identification system. The FCA will provide FCS institutions with information on how to obtain an RSSD number for the purposes of this rulemaking. The Agencies received no other significant comments on § 103(e).

We also have amended proposed § 103(e)(1) to require system administrators to follow NMLS protocols to verify their own identity and to attest that they have the authority to enter data on behalf of the Agency-regulated institution, that the information submitted pursuant to paragraph (e) is correct, and that the Agency-regulated institution will keep the information required by paragraph (e) current and will file accurate supplementary information on a timely basis. In addition, we have amended this paragraph to require institutions to renew the information they have submitted to the Registry pursuant to § 103(e) on an annual basis. We have added these two requirements to conform to system protocols identified by CSBS and SRR.

As in the proposal, renumbered paragraph (e)(1)(iii) of § 103 requires an Agency-regulated institution to update any information it has submitted within 30 days of the date that the information becomes inaccurate.

As proposed, § 103(e)(2) of the final rule requires an Agency-regulated institution to provide information to the Registry for each employee who acts as a mortgage loan originator. The Agency-regulated institution must: (1) Confirm that it employs the registrant, after all the information required by paragraph (d) of this section has been submitted to the Registry; and (2) within 30 days of the date the registrant ceases to be an employee of the institution, provide notification that it no longer employs the registrant and the date the registrant ceased being an employee. This information will link the registering mortgage loan originator to the Agency-regulated institution in order to confirm that the registration of the employee is valid and legitimate. The Agencies note that the Registry's system protocols will not permit the Agency-regulated institution to confirm that it employs the registrant unless all of the employee's information required by paragraph (d) of this section has been submitted to the Registry and the employee has attested to the accuracy of the information. As indicated below, batch processing of certain information for multiple employees will likely be available to facilitate compliance with this provision.

*Batch Processing of Registrations.* The **SUPPLEMENTARY INFORMATION** section of



the proposed rule sought comment on whether to permit a “batch” process for Agency-regulated institutions to submit to the Registry, in bulk, some or all of the required employee and institution information as a way to mitigate the initial and ongoing registration burden on Agency-regulated institutions and their employees. Commenters overwhelmingly supported the concept of batch processing, indicating that such a capability would make registration faster, simpler, more efficient, and less costly. They also stated that it would enable them to better control and manage the registration process, pursuant to the policies and procedures required by this rulemaking.

The Agencies agree that some form of batch processing would be helpful for the registration process to run smoothly and efficiently and for all initial registrations to be completed within the 180-day initial registration period. Batch processing would be especially beneficial to larger institutions who must register tens of thousands of employees. The Agencies therefore are working with CSBS and SRR to ensure that the Registry supports the batch processing of large numbers of registrations by Agency-regulated institutions. As indicated above, we have added a new § \_\_.103(d)(3) to specifically permit institutions to submit a portion of the information required by paragraphs (d)(1)(i) and (e)(2) of § \_\_.103 for multiple employees in bulk through batch processing, to the extent such batch processing is made available by the Registry.

Specifically, it is our intent that the Registry will be able to provide Agency-regulated institutions the capability to submit batch registration of a portion of the information for multiple mortgage loan originators and to electronically notify the originators of the need to complete the registration. The Agencies expect the batch file to contain at least enough information to establish a mortgage loan originator record (such as the institution’s name and RSSD number and employee name, SSN, and e-mail address). We also expect that the Registry will provide the capability for an Agency-regulated institution to confirm its relationship with mortgage loan originators either individually or in bulk. The Agencies, CSBS, and SRR are in the process of specifying the details and means of this batch processing. Batch processing should be available for institutions at the start of the initial registration period, and we will provide further information on batch processing prior to that time.

#### *Section \_\_.104—Policies and Procedures*

Proposed § \_\_.104 required Agency-regulated institutions that employ mortgage loan originators to adopt and follow written policies and procedures designed to ensure compliance with the requirements of the final rule. The proposal stated that the policies and procedures must be appropriate to the nature, size, complexity, and scope of the mortgage lending activities of the Agency-regulated institution and must, at a minimum, include eight specified provisions.

The Agencies received many comments on these required policies and procedures. Although some supported them, others found the requirement to have detailed written plans for how to comply with the final rule unnecessary and overly burdensome, especially in light of other regulatory requirements imposed on financial institutions. A few commenters suggested that the Agencies develop model guidelines for, or samples of, these policies and procedures to reduce implementation and compliance costs for Agency-regulated institutions and to reduce burden on examiners in monitoring compliance. Commenters also requested further clarification of specific provisions and an explanation as to the reason for the provision.

The Agencies continue to believe that requiring Agency-regulated institutions to establish policies and procedures is an appropriate way to ensure and monitor compliance with this final rule. Appropriate policies and procedures provide an institution and its employees with the expectations of the institution’s board and include the specific implementing guidance that is applicable to the activities of that institution. Furthermore, such policies and procedures are necessary to enable Agency examiners to evaluate the effectiveness of institutions’ implementation of the S.A.F.E. Act requirements that apply to them. Institutions have the responsibility to adopt policies and procedures appropriate to their operations. The final rule therefore includes a policies and procedures requirement. Comments on specific provisions are addressed below.

First, proposed § \_\_.104(a) required policies and procedures to establish a process for identifying which employees of the institution are required to be registered mortgage loan originators. This provision highlights a basic and necessary action each institution must take to comply with the rulemaking. We did not receive specific substantive

comments on this requirement and therefore adopt § \_\_.104(a) as proposed.

Second, proposed § \_\_.104(b) required policies and procedures to require that all employees of the institution who are mortgage loan originators be informed of the registration requirements of the S.A.F.E. Act and the proposed rule and be instructed on how to comply with these requirements and procedures, including registering as a mortgage loan originator prior to engaging in any mortgage loan origination activity. As with the first provision, this action is necessary for Agency-regulated institutions to comply with the rule and facilitates employee compliance. We did not receive substantive comments addressing this requirement and therefore adopt § \_\_.104(b) as proposed.

Third, proposed § \_\_.104(c) required that policies and procedures must establish procedures to comply with the unique identifier requirements in § \_\_.105. Once again, this provision merely reiterates that Agency-regulated institutions must ensure compliance with a requirement of the rulemaking. We received no specific comments on this requirement and therefore adopt it as proposed.

Fourth, proposed § \_\_.104(d) required policies and procedures to establish reasonable procedures for confirming the adequacy and accuracy of employee registrations, including updates and renewals, by comparison with the institution’s records. We adopt this provision as proposed. However, to address the many comments on this requirement, the Agencies clarify that they will consider an institution to have reasonable procedures if it confirms the information supplied to the Registry that is in the institution’s personnel files. Typically this information would include the employee’s identifying information, such as the employee’s name; home address; business address and contact information; social security number; gender; date and place of birth; and financial services-related civil actions, arbitrations and regulatory actions taken against the institution’s employee, if any. As noted in the **SUPPLEMENTARY INFORMATION** section of the proposed rule, to comply with this requirement, institutions need only compare the information supplied by the employee to the Registry with the information contained in the institution’s own records. The final rule does not require, nor do the Agencies expect, Agency-regulated institutions to obtain private database searches on their employees to confirm employee registration information.

Fifth, proposed § \_\_.104(e) required institutions to establish reasonable



procedures and tracking systems for monitoring compliance with registration requirements and procedures. Under this regulatory provision, Agency-regulated institutions will be expected to demonstrate compliance with the registration and renewal requirements of this final rule, such as by maintaining appropriate records. The action required by this provision is one that an institution must take to ensure compliance with the rule and may be done in a number of different ways, such as by using an institution's existing tracking systems. Having received no substantive comments on this requirement, the Agencies adopt it as proposed.

Sixth, proposed § \_\_.104(f) required policies and procedures that provide for periodic independent testing of the Agency-regulated institution's policies and procedures for compliance with the S.A.F.E. Act and the final rule and for such testing to be conducted by institution personnel or by an outside party. This compliance testing is standard procedure for Agency-regulated institutions as part of their internal controls, and we adopt it as proposed with one change. We have clarified that this compliance testing must be done on an annual basis, a necessary internal audit interval.

Seventh, proposed § \_\_.104(g) required policies and procedures to provide for appropriate disciplinary action against any employee who fails to comply with the registration requirements of the S.A.F.E. Act, this rule, or the related policies and procedures of the institution, including prohibiting such employees from acting as mortgage loan originators or other appropriate disciplinary actions. The action required by this provision is one that an institution would need to take to ensure compliance with the rule. Having received no substantive comments on this requirement, we adopt it as proposed.

Finally, proposed § \_\_.104(h) required policies and procedures to establish a process for reviewing the criminal history background reports on employees received from the FBI through the Registry, taking appropriate action consistent with applicable law and rules with respect to these reports, maintaining records of these reports, and documenting any action taken with respect to such employees consistent with applicable recordkeeping requirements, if any. A few commenters requested clarification on this requirement. As noted by other commenters, section 19 of the FDI Act (12 U.S.C. 1829), in general, prohibits insured depository institutions from

employing a person who has been convicted of any criminal offense involving dishonesty or a breach of trust or money laundering or has entered into a pretrial diversion or similar program in connection with a prosecution for such offense. Similarly, section 5.65(d) of the Farm Credit Act (12 U.S.C. 2277a-14 (d)), states "[e]xcept with the prior written consent of the Farm Credit Administration, it shall be unlawful for any person convicted of any criminal offense involving dishonesty or a breach of trust to serve as a director, officer, or employee of any System institution." For Federally insured credit unions, NCUA intends to rely upon 12 U.S.C. 1786(i) and 12 CFR 741.3(c). We have revised this provision of the final rule to include references to the appropriate statutory provision.

The Agencies have added a new provision to clarify the responsibilities of Agency-regulated institutions regarding their contracts relating to mortgage loan originations. Institutions must establish procedures designed to ensure that any third party with which it has arrangements related to mortgage loan origination has policies and procedures to comply with the S.A.F.E. Act, including appropriate licensing and/or registration of individuals acting as mortgage loan originators. Agency-regulated institutions should monitor third party entities' compliance with these policies and procedures. This provision will ensure that individuals acting as mortgage loan originators on behalf of an Agency-regulated institution are either State licensed and registered and/or Federally registered.

One commenter requested that the final rule limit an institution's oversight of its employees' compliance with this rulemaking only to those activities of the employee that are within the scope of his or her employment at the institution. It is not our intention to require the institution to enforce the final rule's requirements with respect to activities of its employees that are conducted outside of the employee's scope of employment with that institution and beyond the institution's control, and we have added language to § \_\_.104 to clarify this.

This final rule's requirement to adopt these policies and procedures applies to all Agency-regulated institutions that employ individuals who act as mortgage loan originators, regardless of the application of any *de minimis* exception to their employees. These policies and procedures should be in place at an institution prior to the registration of its employees pursuant to this rule.

Furthermore, the Agencies note that, consistent with the S.A.F.E. Act, the

Registry will not screen or approve registrations received from employees of Agency-regulated institutions. Instead, it will be the repository of, and conduit for, information on those employees who are mortgage loan originators at Agency-regulated institutions. Pursuant to §§ \_\_.104(d) and (h) of the final rule, it will be the responsibility of the Agency-regulated institution to establish reasonable procedures for confirming the adequacy and accuracy of employee registrations as well as to establish a process for reviewing any criminal history background reports received from the Registry.

#### *Section \_\_.105—Use of Unique Identifier*

The Agencies proposed in § \_\_.105(a) to require an Agency-regulated institution to make the unique identifier(s) of its registered mortgage loan originator(s) available to consumers in a manner and method practicable to the institution. Proposed § \_\_.105(b) required a registered mortgage loan originator to provide the originator's unique identifier to a consumer upon request, before acting as a mortgage loan originator, and through the originator's initial written communication with a consumer, if any.

Although a mortgage loan originator may change his or her name, change employment, or move, the unique identifier assigned to the originator by the Registry at the originator's original registration will remain the same. Once public access to the Registry is fully functional, the unique identifier will enable consumer access to an individual mortgage loan originator's profile stored in the Registry, including the mortgage loan originator's publicly available registration information, any State mortgage licenses held (active or inactive), employment history, and publicly adjudicated disciplinary and enforcement actions. If a mortgage loan originator is simultaneously employed by more than one State or Agency-regulated institution, that information also will be readily visible to the consumer.

We received a number of comments on this requirement—some noting that it is cumbersome and of limited benefit to the consumer. However, the S.A.F.E. Act requires each mortgage loan originator to obtain a unique identifier to facilitate the electronic tracking of loan originators, and the uniform identification of, and public access to, the employment history and publicly adjudicated disciplinary and enforcement actions against a mortgage loan originator. In order to effectuate this requirement, a mortgage loan

originator and the employing institution must ensure that the consumer has access to the originator's unique identifier. This access must be made available early enough in the relationship with the originator to enable the consumer to access the Registry before the consumer commits to the mortgage loan transaction. Because a consumer may not be aware of the Registry, it is important that both the institution and originator make this information available to the consumer, and not only just upon the consumer's request, as suggested by a number of commenters. Therefore, we adopt this requirement as proposed, with one clarifying change described below.

As noted in the **SUPPLEMENTARY INFORMATION** section of the proposed rule, an Agency-regulated institution may comply with the § \_\_.105(a) requirement in a number of ways. For example, the institution may choose to direct consumers to a listing of registered mortgage loan originators and their unique identifiers on its Web site; post this information prominently in a publicly accessible place, such as a branch office lobby or lending office reception area; and/or establish a process to ensure that institution personnel provide the unique identifier of a registered mortgage loan originator to consumers who request it from employees other than the mortgage loan originator. Furthermore, the Agencies intend § \_\_.105(b)(3) of the rule to cover written communication from the originator specifically for his or her customers, such as a commitment letter, good faith estimate or disclosure statement, and not written materials or promotional items distributed by the Agency-regulated institution for general use by its customers. While, this provision does not require institutions to include the unique identifier on loan program descriptions, advertisements, business cards, stationary, notepads, and other similar materials, institutions are not prohibited from doing so. We also clarify that the requirement to provide the unique identifier to the consumer through the originator's initial written communication, if any, applies whether that communication is provided in writing on paper or through electronic means. We have clarified this requirement in the final rule. The Agencies also clarify that the unique identifier may be provided orally, except pursuant to paragraph (b)(3) under which the unique identifier would be provided with the written or electronic communication.

We note that the Board has proposed amendments to 12 CFR 226 (Regulation Z) that would require disclosure of the

unique identifier as part of TILA disclosures, which generally must be provided to a borrower within three business days of the residential mortgage loan application and seven business days before consummation of the transaction.<sup>1</sup> In addition, as indicated above, Fannie Mae and Freddie Mac are requiring all mortgage loan applications taken on or after the compliance date for the unique identifier requirement to include the mortgage loan originator's unique identifier.<sup>1</sup> We therefore believe that providing consumers with the originator's unique identifier will not be difficult or burdensome.

#### *Appendix—Examples of Mortgage Loan Originators*

The proposed Appendix included a nonexclusive list of examples of activities that fall within or outside the S.A.F.E. Act's definition of a mortgage loan originator. Specifically, the Appendix provided examples of activities that are, and are not, illustrative of taking an application, and offering or negotiating terms of a mortgage loan for compensation or gain. The Agencies note that an employee of an Agency-regulated institution is only subject to the S.A.F.E. Act to the extent that both prongs of the two-part test for acting as a mortgage loan originator are met, and that employees who take applications but do not offer or negotiate terms of a mortgage loan, or vice versa, do not meet the definition. Commenters generally asked the Agencies to provide more detail to the examples and to address whether specific activities of Agency-regulated institution employees would be covered by the two-prong test of a mortgage loan originator.

The Agencies have made several modifications to the examples of taking an application. The modified examples clarify that taking an application occurs when the mortgage loan originator receives information in connection with a request for a mortgage loan that will be used to determine whether the consumer qualifies for a loan. The Agencies note that the information may be provided by another person on behalf of the consumer.

Some commenters questioned whether an employee takes an application if that employee only collects limited data about the consumer or does not decide what data to collect. Another commenter suggested that when an employee collects the limited

information about the consumer that is required by an automated loan approval system and quotes interest rates and fees for a specific mortgage loan product as generated by the system, that employee should not be considered to be engaged in taking an application. The Agencies disagree, as the limited information described by the commenter is sufficient to qualify the consumer for a specific mortgage product and terms. The example of taking an application was revised to address the receipt of information to be used to determine whether the consumer qualifies for a mortgage loan, which includes situations where there are limitations on the data collected or on the employee's discretion, as described by the commenter.

Similarly, these commenters also requested clarification as to whether an employee takes an application when the employee enters information into an online application in the process of receiving information from the consumer. The Agencies have provided clarification that the example of taking an application applies even if the employee is inputting information into an online or other automated approval system on behalf of the consumer. The Agencies do not intend this example to address employees who are engaged in the clerical act of inputting information from a loan application into an automated approval system on behalf of a loan officer. Furthermore, contrary to the suggestions of some commenters, the Agencies have clarified that an employee may take an application even if the employee is not engaged in approval of the mortgage loan. An employee also may take an application even if the employee does not take an application fee.

The Agencies also have clarified that, contrary to the suggestion of some commenters, an employee may take an application even if the employee has received the consumer's information indirectly in order to make an offer or negotiate terms of a mortgage loan. An employee may receive the consumer's information indirectly, for example, through another employee, a broker, or an automated system.

The Agencies also have provided further detail regarding the examples of activities that do not constitute taking an application. In response to questions raised by commenters, the Agencies have further clarified that the following activities would not constitute taking an application: (1) Assisting a consumer who is filling out an application by explaining the qualifications or criteria necessary to obtain a mortgage loan product, (2) describing the steps that a

<sup>1</sup> See <http://www.federalreserve.gov/newsevents/press/bcreg/20090723a.htm>.

<sup>1</sup> See footnote 26.

consumer would need to take to provide information to be used to determine whether the consumer qualifies for a mortgage loan or otherwise explaining the mortgage loan application process, and (3) responding to an inquiry regarding a prequalified offer that a consumer has received from an Agency-regulated institution, collecting only basic identifying information about the consumer and forwarding the consumer to a mortgage loan originator.

The Agencies also have revised the examples of offering or negotiating terms of a mortgage loan in response to the comments. The Agencies have revised one example to clarify that providing a disclosure of the mortgage loan terms after application pursuant to the Truth in Lending Act is included in presenting a mortgage loan offer. A number of commenters asked the Agencies to modify the examples to carve out employees who are limited in their ability to negotiate or finalize the terms of a mortgage loan. Some commenters posited that employees should be excluded if they only offer the loan rate to a consumer but are not permitted to negotiate the rate, or only quote a rate approved by an automated online system. Similarly, a commenter expressed the view that an employee would not offer or negotiate terms of a mortgage loan if involvement of a loan officer also was necessary to finalize the loan terms or otherwise conclude the mortgage loan approval process. The Agencies believe that many of these situations discussed by the commenters would involve an offer or a negotiation of a loan. Thus the revised examples clarify that presenting a mortgage loan offer to a consumer for acceptance, either verbally or in writing, is offering or negotiating terms of a mortgage loan even if other individuals must complete the mortgage loan process or if only the rate approved by the Agency-regulated institution's loan approval mechanism function for a specific loan product is communicated without authority to negotiate the rate. Similarly, one commenter suggested that an employee does not offer or negotiate terms of a mortgage loan if the employee does not lock the rate. The Agencies do not agree and declined to address this particular activity in the general example of offering or negotiating terms of a mortgage loan.

The Agencies also have modified and added to the examples of activities that are not offering or negotiating terms of a mortgage loan. Some commenters noted that the S.A.F.E. Act excludes employees who are engaged in administrative and clerical activities. The Agencies have considered this

exclusion in formulating the examples of mortgage loan origination. Specifically, with respect to offering and negotiating terms of a mortgage loan, the Agencies have added an example that an employee who communicates on behalf of a mortgage loan originator that a written offer has been sent to a consumer, without providing details of that offer, is not offering or negotiating a loan.

In addition, in response to commenters' requests for more detail, the Agencies have clarified that providing descriptions, in addition to explanations, in response to consumer queries regarding qualification for a specific mortgage loan product or product-related service does not constitute offering or negotiating terms of a mortgage loan. In response to the suggestion of another commenter, the Agencies have provided another new example, specifying that "offer or negotiate" does not include explaining or describing the steps or process that a consumer would need to take in order to obtain a loan offer, including qualifications or criteria that would need to be met without providing guidance specific to the consumer's circumstances.

Some commenters asked whether employees engaged solely in making underwriting decisions with respect to mortgage loans are offering terms of a mortgage loan. These employees, although they do not typically communicate directly with consumers, would appear to fall within the definition of taking an application. The Agencies have added, as an example of an activity that is not offering or negotiating terms of a mortgage loan, making an underwriting decision about whether the consumer qualifies for a loan. An employee engaged solely in this activity would not offer or negotiate terms of a loan, and would not, therefore, meet the two-prong test for acting as a loan originator.

The Agencies, as described previously, understand from many commenters that numerous employees of Agency-regulated institutions are engaged solely in modifying loans, such as those which result in reduced and sustainable payments for a borrower who is in default. The Agencies have provided, as a new example of an activity that is not taking an application, receiving information in connection with a modification to the terms of an existing loan to a borrower as part of the institution's loss mitigation efforts, when the borrower is reasonably likely to default. An employee engaged solely in this activity does not receive a residential mortgage loan application,

and would not, therefore, meet the two-prong test for acting as a loan originator. The Agencies note that modifying the terms of an existing loan to a borrower as part of the institution's loss mitigation efforts generally would not constitute acting as a mortgage loan originator for purposes of the S.A.F.E. Act. In addition, one commenter requested that the Agencies clarify that an employee acts as a mortgage loan originator when the employee renews an existing loan at maturity, thereby replacing the old loan with a new loan. The Agencies agree with this commenter.

Finally, one commenter queried whether registration requirements apply to Agency-regulated institution employees who, in addition to a variety of customer service duties, only at times act as a mortgage loan originator and only with respect to a limited number of mortgage loan products. The Agencies note that an employee who meets the two-prong test is acting as a mortgage loan originator, even if that activity is not their primary job duty or the employee may only act as a mortgage loan originator for a limited number of products. As described previously, the Agencies have provided a *de minimis* exception to address employees who act as mortgage loan originators with respect to a small number of mortgage loans. In this light, the Agencies received comments that suggested that an employee would be engaged in offering the terms of a loan only if the employee's compensation was based on the number of loans closed or the employee's engagement in mortgage lending. The Agencies do not agree with this suggestion and have finalized the examples relating to compensation as proposed. Therefore, an employee offers or negotiates terms of a loan for compensation or gain even if the employee does not receive a referral fee or commission or other special compensation for the mortgage loan.

#### IV. Regulatory Analysis

##### A. Regulatory Flexibility Act

*OCC*: The Regulatory Flexibility Act (RFA)<sup>1</sup> requires Federal agencies to prepare and make available to the public a Final Regulatory Flexibility Analysis (FRFA) for a final rule, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. See 5 U.S.C. 603–605. For purposes of the RFA, a "small entity" within the jurisdiction of the OCC is a national

<sup>1</sup> 5 U.S.C. 601–612.

bank or a Federal branch or agency with assets of \$175 million or less (small national bank).<sup>2</sup> In the NPRM, the OCC certified, pursuant to section 605(b) of the RFA, that the proposal would not have a significant economic impact on a substantial number of small entities.<sup>3</sup> The OCC's certification was based on an estimated average total compliance cost of \$18,800 per small national bank and the impact of compliance costs as a percentage of labor costs, as well as compliance costs as a percent of noninterest expenses. The OCC received one comment—from the Small Business Administration's Office of Advocacy (SBA Advocacy)—on the certification.

Based in part on this comment letter, the OCC has reevaluated the effect of this final rule on small national banks, and, for the reasons stated below, has determined that this rule will have a significant economic impact on a substantial number of small entities. Therefore, we have prepared the following FRFA in accordance with 5 U.S.C. 604.

#### 1. Need for, and Objectives of, the Final Rule

The need for, and objectives of, this final rule are described in detail in the **SUPPLEMENTARY INFORMATION** section.

#### 2. Significant Issues Raised by Public Comments

In the comment it submitted, SBA Advocacy expressed concern that the factual basis for the OCC's (and other Agencies') conclusion that the proposal would not have a significant economic impact on a substantial number of small entities may be insufficient, noting that the OCC's certification did not specify the assumptions used concerning labor costs or noninterest expenses. SBA Advocacy stated its concern that OCC's economic impact may be underestimated and sought clarification regarding the proposal's impact on the number of small national banks.<sup>1</sup>

In part as a result of this comment letter, the OCC conducted further analysis of the effect of its rule on the banking industry as a whole and on small banks in particular. The OCC also obtained additional information about

the impact of the proposal on national banks. As a result of this information we have modified our initial conclusions about the economic effect of the rule on small national banks.

#### 3. Description and Estimate of Small Entities Affected by the Final Rule

For purposes of OCC regulation, the final rule applies to national banks, Federal branches and agencies of foreign banks, their operating subsidiaries (collectively referred to as national banks), and their employees who act as mortgage loan originators.

OCC estimates that 623 national banks with employees originating loans secured by residential real estate are small entities based on the SBA's general principles of affiliation (13 CFR 121.103(a)) and the size threshold for a small national bank. The OCC believes the final rule will have a significant impact on approximately 10 percent of these small national banks (65 banks).<sup>1</sup> We classify the impact of total costs on a small national bank as significant if the total costs in a single year are greater than 5 percent of total salaries and benefits, or greater than 2.5 percent of total non-interest expense. Mean total costs per bank in the group of small banks where compliance costs are significant is approximately \$25,000 per bank.<sup>2</sup>

#### 4. Recordkeeping, Reporting, and Other Compliance Requirements

The final rule imposes requirements on both national banks and their employees who engage in the business of mortgage loan origination, regardless of the size of the national bank. Typical recordkeeping, administrative, computer technology and bank management skills will be needed to comply with all of the rule's requirements.

**Reporting Requirements.** Unless the *de minimis* exception applies, § 34.103(a) of the final rule requires a mortgage loan originator employed by a national bank to register with the Registry, maintain such registration, and

obtain a unique identifier. Under § 34.103(b), a bank must require each mortgage loan originator employee to comply with these requirements. Section 34.103(d) describes the categories of information that an employee, or the employing bank on the employee's behalf, must submit to the Registry, along with the employee's attestation as to the correctness of the information supplied, and the employee's authorization to obtain further information and make public some of this information. This section also requires the submission of the mortgage loan originator's fingerprints to the Registry.

Section 34.103(e) specifies bank and employee information that a bank must submit to the Registry in connection with the initial registration of one or more mortgage loan originators. The bank must annually renew this information and update this information if necessary between renewals.

Authorized bank representatives must attest to the correctness of this information and that such information will be updated on a timely basis.

**Disclosure Requirements.** Section 34.105(b) requires the mortgage loan originator to provide the unique identifier to a consumer: (i) Upon request; (2) before acting as a mortgage loan originator; and (3) through the originator's initial written communication with a consumer, if any, whether on paper or electronically.

Section 34.105(a) requires the bank to make the unique identifier(s) of its mortgage loan originator(s) available to consumers in a manner and method practicable to the bank.

#### **Recordkeeping and Compliance Requirements.**

Section 34.104 requires a bank that employs one or more mortgage loan originators to adopt and follow written policies and procedures designed to assure compliance with this final rule. These policies and procedures must be appropriate to the nature, size, complexity, and scope of their mortgage lending activities and will apply only to those employees acting within their scope of employment at the bank. At a minimum, these policies and procedures must establish a process for: (i) Identifying which employees are required to register, (ii) communicating the registration requirements to employees, (iii) complying with the rule's unique identifier requirements, (iv) confirming the adequacy and accuracy of employee registrations through comparisons with bank records, (v) monitoring employee compliance with the rule, (vi) independent compliance testing, (vii) taking

<sup>2</sup> 13 CFR 121.201.

<sup>3</sup> In addition to the OCC, the Board, the FDIC, the OTS, the NCUA, and the FCA also certified in the proposed rule that the proposal would not have a significant economic impact on a substantial number of small entities. See 74 FR at 27398–27399.

<sup>1</sup> A discussion of SBA Advocacy's comments on other provisions of the proposed rule, namely, the *de minimis* exception and the proposed 6-month initial compliance period, is contained in the **SUPPLEMENTARY INFORMATION** section of this final rule.

<sup>1</sup> The OCC estimated the impact on small banks both with and without employee turnover because it is the OCC's understanding that the turnover rate at small banks is significantly lower than the rate at large banks and there may be no turnover for several years in a row at some banks. However, even without employee turnover, the final rule appears to have a significant impact on a substantial number of small banks.

<sup>2</sup> The mean totals of the cost estimates (*i.e.*, the higher cost estimate and the lower cost estimate) for all (623) small banks impacted by the final rule are \$32,000 and \$27,000 respectively. The mean total cost per small bank in the group of small banks where costs are significant is approximately \$26,000 under the higher cost estimate, and \$23,000 under the lower cost estimate.

appropriate actions with respect to employees who fail to comply with the registration requirements, (viii) reviewing employee criminal history background checks received pursuant to this rule, and (ix) monitoring third party compliance with the S.A.F.E. Act.

#### 5. Steps Taken To Address the Economic Impact on Small Entities

The final rule reflects the consideration given by the OCC, along with the other Agencies, to the impact that its requirements would have on small entities.

First, the Agencies have revised the rule's *de minimis* exception to reduce compliance burden. In the proposed rule, the Agencies established a *de minimis* exception that would have excepted from the registration requirements an employee of an Agency-regulated institution if, during the last 12 months: (1) The employee acted as a mortgage loan originator for 5 or fewer residential mortgage loans; and (2) the Agency-regulated institution employs mortgage loan originators who, while excepted from registration pursuant to this section, in the aggregate, acted as a mortgage loan originator in connection with 25 or fewer residential mortgage loans. Many commenters on this provision noted the complexity of the proposed exception. One commenter stated that the *de minimis* exception would not have any significant effect because its complexity would outweigh its benefits. Others noted that the proposed exception would be difficult for an institution to monitor and maintain. Still others said that the proposed *de minimis* exception would be fairer, and much easier to apply, if the threshold limitation applied only to the employee or to the institution, but not both. SBA Advocacy specifically commented that the proposed *de minimis* exception would make the rule unduly burdensome on small community banks. In response to these and other comments and upon further analysis, the Agencies removed the institution threshold from this *de minimis* exception. As a result, the final rule's *de minimis* exception only contains the individual threshold, as well as a prohibition on any Agency-regulated institution from engaging in any act or practice to evade the limits of the *de minimis* exception. This revised exception should simplify compliance and therefore impose the least burden overall for institutions, including small entities.

The Agencies also considered, pursuant to section 1507(c) of the S.A.F.E. Act (12 U.S.C. 5106(c)), applying the requirements of the rule

only to institutions above a certain asset threshold, such as the threshold for Home Mortgage Disclosure Act reporting. However, the Agencies agreed that this would not further the consumer protection purposes of the S.A.F.E. Act<sup>1</sup> in that customers of smaller banks would not have the same information on mortgage loan originators as customers of larger institutions. In addition, we believed the exception should be structured so that employees of institutions of all sizes could qualify.

The OCC also has reviewed alternatives for small entity compliance, including eliminating the requirement for small banks to adopt and follow written policies and procedures addressing all of the elements described in the final rule. For example, under such an approach, a small bank's risk based compliance program might include only such procedures as are necessary to enable the bank to demonstrate compliance with the registration and renewal requirements of the S.A.F.E. Act. Although such an approach may have reduced the compliance cost per small bank, the OCC does not believe that it would best serve the interests of national banks or the OCC. Appropriate policies and procedures provide an institution and its employees with the expectations of the institution's board and include the specific implementing guidance that is applicable to the activities of that institution. Furthermore, such policies and procedures are necessary to enable examiners to evaluate the effectiveness of institutions' implementation of the S.A.F.E. Act requirements that apply to them. In reviewing this alternative, we determined that applying the policies and procedures requirement in the same way to all institutions, regardless of size, is necessary to ensure consistency in implementation and enforcement of the S.A.F.E. Act and is, therefore, the most appropriate way to ensure that the purposes of the S.A.F.E. Act are met.

The OCC, and the other Agencies, also made changes to the final rule that reduce the impact that its requirements would have on all Agency-regulated financial institutions, including small entities. The final rule decreased the amount of information required for submission by a mortgage loan

originator. Specifically, the final rule does not require submission of financial history information such as bankruptcies and liens; employment terminations; pending actions; and felonies unrelated to crimes of dishonesty. Furthermore, the Agencies declined to include loan modification activities in the final rule's definition of mortgage loan originator. Under the OCC's rule, Agency-regulated institution employees engaged solely in bona fide cost-free loss mitigation efforts which result in reduced and sustainable payments for the borrower generally would not meet the definition of "mortgage loan originator." This reduces the number of bank employees subject to the final rule's requirements.

Board: Pursuant to section 605(b) of the RFA, 5 U.S.C. 605(b), the regulatory flexibility analysis otherwise required under section 604 of the RFA is not required if the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities and publishes its certification and a short, explanatory statement in the **Federal Register** along with its rule.

The final rule implements the S.A.F.E. Act's Federal registration requirements for mortgage loan originators. The S.A.F.E. Act states that the objectives of this registration include providing increased accountability and tracking of mortgage loan originators and providing consumers with easily accessible information at no charge regarding mortgage loan originators. The Board is not aware of other Federal rules which may duplicate, overlap, or conflict with the proposed rule.

The final rule applies to all banks that are members of the Federal Reserve System (other than national banks) and certain of their respective subsidiaries, branches and Agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks), and commercial lending companies owned or controlled by foreign banks.

Under the Board's final rule, employees of the above entities who act as residential mortgage loan originators must register with the Registry, obtain a unique identifier, and maintain this registration, consistent with the requirements of the S.A.F.E. Act. The above institutions must require their employees who act as residential mortgage loan originators to comply with the registration requirements and obtain a unique identifier. These institutions also must provide certain information to the Registry and must adopt and follow written policies and

<sup>1</sup> Among other things, the objectives of the S.A.F.E. Act include: Enhancing consumer protections and supporting anti-fraud measures; increasing accountability and tracking of loan originators; and providing consumers with easily accessible information at no charge regarding the employment history of, and publicly adjudicated disciplinary and enforcement actions against, loan originators. S.A.F.E. Act at section 1502 (12 U.S.C. 5101).

procedures designed to assure compliance with these requirements. The institutions and their employees must disclose the unique identifier of mortgage loan originators in compliance with the rule.

Under regulations issued by the Small Business Administration,<sup>1</sup> a small entity includes a banking organization with assets of \$175 million or less (a small banking organization). As of December 31, 2008, there were approximately 433 State member banks that are small banking organizations. The Agencies proposed the *de minimis* exception in an effort to reduce compliance costs on small businesses.

The Board received comment from the Office of Advocacy of the U.S. Small Business Administration on its RFA analysis. This commenter expressed concern that the factual basis for the Board's (and other agencies') RFA analysis was insufficient and that the Board and other agencies may have underestimated the costs associated with the proposed rule. The commenter queried whether legal compliance costs and training and tracking costs should be estimated and included in the analysis. Specifically with respect to the Board's RFA analysis, the commenter recommended that the Board use revenue, rather than profits, in determining economic impact since revenue may be a more transparent indicator than profits.

The Board notes that legal compliance costs, tracking compliance, and training have been included in the burden analyses for the rule. The Board estimates compliance costs to be \$7.6 million in the aggregate for the 433 small State member banks. As of December 31, 2008, these institutions had \$2.4 billion in revenues in the aggregate. Therefore, compliance costs would be less than 1% of revenues.

The Board notes that it has adopted in the final rule alternatives to the proposed rule, which have reduced compliance costs of the rule. The final rule decreased the amount of information required for submission by a mortgage loan originator. For example, the final rule does not require submission of financial history information such as bankruptcies and liens; employment terminations; pending actions; and felonies unrelated to crimes of dishonesty. Furthermore, the Agencies declined to include loan modification activities in the definition of mortgage loan originator, after considering comments on this issue, including those regarding the burden and costs of compliance. Under the

Board's rule, modifying the terms of an existing loan to a borrower as part of the institution's loss mitigation efforts would not constitute acting as a mortgage loan originator for purposes of the S.A.F.E. Act.

In addition, the final rule simplifies the *de minimis* exception to registration requirements of the rule, thereby decreasing compliance costs and increasing the number of employees who will qualify for the individual limits required under the *de minimis* exception. Under the proposed rule, even if an employee was within the individual limit on mortgage loan origination activity, the employee still could not utilize the exception unless the institution itself was within the aggregate limit on unregistered mortgage loan originators. The Board notes that it has taken a conservative approach to estimating the compliance impact of the revised *de minimis* exception, assuming that at least as many small entities would not incur registration-related expenses under the final rule as the proposed rule. Further, the Board notes that small institutions typically do not originate a significant volume of mortgage loans.

The Board has not adopted other significant alternatives to the proposed rule. For example, the final rule continues to include a mandate for Agency-regulated institutions to require their mortgage loan originator employees to meet registration requirements and adopt policies and procedures to assure compliance. These requirements remain in the final rule because the Board believes that these provisions are necessary to achieve the objectives of the statute and to assure compliance with the rule.

Therefore, pursuant to section 605(b) of the RFA, the Board hereby certifies that this proposal will not have a significant economic impact on a substantial number of small entities. Although a regulatory flexibility analysis is not needed, the Board has voluntarily provided an analysis.

FDIC: In accordance with the RFA, 5 U.S.C. 601–612, an agency must publish a final regulatory flexibility analysis with its final rule, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities (defined for purposes of the RFA to include banks with less than \$175 million in assets). The FDIC hereby certifies that the final rule will not have a significant economic impact on a substantial number of small entities.

Approximately 3,116 FDIC-supervised banks are small entities. In the RFA analysis for the proposed rule, the FDIC

determined that approximately 2,255 of those small entities would incur only those costs related to adopting and following appropriate policies and procedures, not registration-related expenses, because they originate 25 or fewer residential mortgage loans annually and therefore would not have qualified for the aggregate institution limit of the proposed rule's *de minimis* exception. Since the aggregate institution limit has been eliminated in the final rule, the exception will apply to a greater number of employees than under the proposed rule. However, because it is difficult to estimate how many more employees would be covered by the revised *de minimis* exception, a more conservative approach would be to assume that at least as many small entities would not incur registration-related expenses under the final rule as under the proposed rule (*i.e.*, 2,255 small entities). For those 2,255 small entities, the set up costs are estimated to be about 0.5% of total non-interest expense and annual costs are estimated to be about 0.2% of total non-interest expenses (based on a mean non-interest expense of \$2.5 million reported by the 3,116 FDIC-supervised small entities for fourth quarter 2008).

Given the foregoing assumptions, only approximately 861 small entities supervised by the FDIC—about 28% of FDIC-supervised small entities—will be subject to all of the requirements of the final rule. For those 861 small entities, the estimated initial costs for complying with the final rule would represent, on average, approximately 0.7% of total non-interest expenses, and the annual compliance costs would represent, on average, approximately 0.3% of total non-interest expenses (based on the aforementioned mean non-interest expense of \$2.5 million).

For the 861 FDIC supervised small entities that will be subject to all of the requirements of the final rule, the S.A.F.E. Act requirements will cost \$17,395 for set up and \$7,436 annually (based on an estimated 350 hours for set up, 113 hours for annual compliance, 11.435 mortgage loan originators per entity, and a weighted average labor cost of \$49.70 per hour). For the 2,255 FDIC supervised small entities that will incur only those costs related to adopting and following appropriate policies and procedures, the S.A.F.E. Act requirements will cost \$12,922 for set up (based on an estimated 260 labor hours and the aforementioned labor cost) and \$4,473 annually (based on an estimated 90 labor hours and the aforementioned labor cost).

<sup>1</sup> See 13 CFR 121.201.

OTS: The RFA<sup>1</sup> requires Federal agencies to prepare and make available to the public a Final Regulatory Flexibility Analysis (FRFA) for a final rule, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. See 5 U.S.C. 603–605. For purposes of the RFA and OTS-regulated entities, a “small entity” within the jurisdiction of the OTS is a savings association with assets of \$175 million or less (small savings association). In the NPRM, the OTS certified, pursuant to section 605(b) of the RFA, that the regulatory flexibility analysis otherwise required under section 604 of the RFA was not required because the proposal would not have a significant economic impact on a substantial number of small entities.<sup>1</sup> The OTS’s certification was based on an estimated average total compliance cost of \$13,311 per small savings association and the impact of compliance costs as a percentage of labor costs, as well as compliance costs as a percent of noninterest expenses. The OTS received one comment—from the Small Business Administration’s Office of Advocacy (SBA Advocacy)—on the certification.

Based in part on this comment letter, the OTS has reevaluated the effect of this final rule on small savings associations, and, based on the information provided below, has reaffirmed that this rule will not have a significant economic impact on a substantial number of small entities. Therefore, OTS is not required to prepare an FRFA under 5 U.S.C. 604. However, OTS believes that the initial analysis included in the proposed rule should be slightly modified, and therefore, we have included in the final rule a description of the economic effect on small savings associations and additional information addressing the final rule and the comment letter on the certification.

#### 1. Description and Estimate of Small Entities Affected by the Final Rule

For purposes of the OTS regulation, the final rule applies to savings associations and their operating subsidiaries and their employees who act as mortgage loan originators. In determining the economic impact on small savings associations, OTS determined that 385 small savings associations would potentially be

affected by the final rule. We estimate that 23 of these savings associations, or 6 percent, have no mortgage loan originator (MLO) employees, and therefore, will incur no costs under the final rule. The remaining 362 small savings associations can be expected to incur costs under the final rule. Specifically, OTS estimates the average cost of compliance for these 362 small savings associations to be \$17,085. In order to determine whether the costs of compliance have a significant economic impact on this population of small savings associations, we compared each association’s projected compliance costs to both its total annualized labor costs and to its total annualized noninterest expense. (Noninterest expense is typically used as a benchmark for “overhead” in financial firms.) If projected S.A.F.E. Act compliance costs exceeded 5 percent of a small saving association’s total labor costs, or 2.5 percent of its noninterest expense, OTS considered the impact of compliance to be “significant.” These benchmarks have been used in the past by OTS and other Federal financial regulatory agencies. OTS estimates that 32 small savings associations, or 8.3 percent of the small savings association population, will experience a significant economic impact associated with compliance using the benchmarks described above. The average cost of compliance for these 32 savings associations is projected to be \$17,441. Pursuant to § 605(b) of the RFA, OTS therefore certifies that this final rule will not have a significant economic impact on a substantial number of small entities, and, accordingly, a FRFA is not required.

#### 2. Need for, and Objectives of, the Final Rule

As described in the **SUPPLEMENTARY INFORMATION**, the objectives of this final rule are to implement the requirements of the S.A.F.E. Act. Specifically, the final rule implements:

- Section 1504 of the S.A.F.E. Act (12 U.S.C. 5103(a)), which provides that subject to the existence of a registration regime, an individual who is an employee of a depository institution may not engage in the business of a loan originator without first: (i) Obtaining and maintaining annually a registration as a registered loan originator, and, (ii) obtaining a unique identifier; and,

- Section 1507 of the S.A.F.E. Act (12 U.S.C. 5106), which requires the Agencies to: (i) Jointly develop and maintain a system for registering employees of a depository institution and of a subsidiary that is owned and controlled by a depository institution and regulated by an Agency as

registered loan originators with the National Mortgage License System and Registry (Registry); and (ii) furnish certain information, or cause it to be furnished, to the Registry.

#### 3. Significant Issues Raised by Public Comments

As indicated above, the OTS did not publish an IRFA with the proposed rule. We therefore did not receive any comments specifically directed at an analysis in an IRFA. However, in the comment the SBA Advocacy submitted, it expressed concern that the factual basis for the OTS’s (and other Agencies’) conclusion that the proposal would not have a significant economic impact on a substantial number of small entities may be insufficient, noting that the OTS’s certification did not specify the assumptions used concerning labor costs or noninterest expenses. In addition, SBA Advocacy stated its concern that OTS’s economic impact may be underestimated and sought clarification regarding the proposal’s impact on the number of small savings associations.<sup>1</sup> SBA Advocacy recommended that the Agencies work with the industry to determine an accurate estimate of the economic impact of the rule on small entities and develop ways to minimize that burden. In part as a result of this comment letter and as noted above, the OTS conducted further analysis of the effect of our rule on the savings association industry as a whole and on small savings associations in particular.

#### 4. Recordkeeping, Reporting, and Other Compliance Requirements

The final rule applies to savings associations, their operating subsidiaries (collectively referred to as savings associations), and their employees who act as mortgage loan originators. Typical recordkeeping, administrative, computer technology and savings association management skills will be needed to comply with all of the rule’s requirements.

*Reporting Requirements.* Unless the *de minimis* exception applies, § 563.103(a) of the final rule requires a mortgage loan originator employed by a savings association to register with the Registry, maintain such registration, and obtain a unique identifier. Under § 563.103(b), an association must require each mortgage loan originator employee to comply with these

<sup>1</sup> 5 U.S.C. 601–612.

<sup>1</sup> In addition to the OTS, the Board, the OCC, the FDIC, the NCUA, and the FCA also certified in the proposed rule that the proposal would not have a significant economic impact on a substantial number of small entities. See 74 FR at 27398–27399.

<sup>1</sup> A discussion of SBA Advocacy’s comments on other provisions of the proposed rule, namely, the *de minimis* exception and the proposed 6-month compliance period, is contained in the **SUPPLEMENTARY INFORMATION** section of this final rule.



requirements. Section 563.103(d) describes the categories of information that an employee, or the employing savings association on the employee's behalf, must submit to the Registry, along with the employee's attestation as to the correctness of the information supplied, and the employee's authorization to obtain further information and make public some of this information. This section also requires the submission of the mortgage loan originator's fingerprints to the Registry.

Section 563.103(e) specifies savings association and employee information that an association must submit to the Registry in connection with the initial registration of one or more mortgage loan originators. The savings association must annually renew this information and update this information if necessary between renewals. Authorized savings association representatives must attest to the correctness of this information and that such information will be updated on a timely basis.

**Disclosure Requirements.** Section 563.105(b) requires the mortgage loan originator to provide the unique identifier to a consumer: (i) Upon request; (2) before acting as a mortgage loan originator; and (3) through the originator's initial written communication with a consumer, if any, whether on paper or electronically.

Section 563.105(a) requires the savings association to make the unique identifiers of its mortgage loan originators available to consumers in a manner and method practicable to the association.

**Recordkeeping and Compliance Requirements.** Section 563.104 requires a savings association that employs one or more mortgage loan originators to adopt and follow written policies and procedures designed to assure compliance with this final rule. These policies and procedures must be appropriate to the nature, size, complexity, and scope of their mortgage lending activities and will apply only to those employees acting within their scope of employment at the savings association. At a minimum, these policies and procedures must establish a process for: (i) Identifying which employees are required to register, (ii) communicating the registration requirements to employees, (iii) complying with the rule's unique identifier requirements, (iv) confirming the adequacy and accuracy of employee registrations through comparisons with savings association records, (v) monitoring employee compliance with the rule, (vi) independent compliance testing, (vii) taking appropriate actions

with respect to employees who fail to comply with the registration requirements, (viii) reviewing employee criminal history background checks received pursuant to this rule, and (ix) monitoring third party compliance with the S.A.F.E. Act.

#### 5. Steps Taken To Address the Economic Impact on Small Entities

The final rule reflects the consideration given by the OTS, along with the other Agencies, to the impact that its requirements would have on small entities. First, the Agencies have revised the rule's *de minimis* exception to reduce compliance burden. In the proposed rule, the Agencies established a *de minimis* exception that would have exempted from the registration requirements an employee of an Agency-regulated institution if, during the last 12 months: (1) The employee acted as a mortgage loan originator for 5 or fewer residential mortgage loans and (2) the Agency-regulated institution employs mortgage loan originators who, while exempted from registration pursuant to this section, in the aggregate, acted as a mortgage loan originator in connection with 25 or fewer residential mortgage loans. Many commenters on this provision noted the complexity of the proposed exception. One commenter stated that the *de minimis* exception would not have any significant effect because its complexity would outweigh its benefits. Others noted that the proposed exception would be difficult for an institution to monitor and maintain. Still others said that the proposed *de minimis* exception would be fairer, and much easier to apply, if the threshold limitation applied only to the employee or to the institution, but not both. SBA Advocacy specifically commented that the proposed *de minimis* exception would make the rule unduly burdensome on small community institutions. In response to these and other comments and upon further analysis, the Agencies removed the institution threshold from this *de minimis* exception. As a result, the final rule's *de minimis* exception only contains the individual threshold, as well as a prohibition on any Agency-regulated institution from engaging in any act or practice to evade the limits of the *de minimis* exception. This revised exception should simplify compliance and therefore impose the least burden overall for institutions, including small entities.

The OTS also has reviewed alternatives for small entity compliance, including eliminating the requirement for small savings associations to adopt and follow written policies and

procedures addressing all of the elements described in the final rule. For example, under such an approach, a small savings association's risk based compliance program might include only such procedures as are necessary to enable the association to demonstrate compliance with the registration and renewal requirements of the S.A.F.E. Act and the final rule. Although such an approach may have reduced the compliance cost per small savings association, the OTS does not believe that it would best serve the interests of savings associations or the OTS. Appropriate policies and procedures provide an institution and its employees with the expectations of the institution's board and include the specific implementing guidance that is applicable to the activities of that institution. Furthermore, such policies and procedures are necessary to enable examiners to evaluate the effectiveness of institutions' implementation of the S.A.F.E. Act requirements that apply to them. In reviewing this alternative, we determined that applying the policies and procedures requirement in the same way to all institutions, regardless of size, is necessary to ensure consistency in implementation and enforcement of the S.A.F.E. Act and is, therefore, the most appropriate way to ensure that the purposes of the S.A.F.E. Act are met.

The OTS, and the other Agencies, also made changes to the final rule that reduce the impact that its requirements would have on all Agency-regulated financial institutions, including small entities. The final rule decreased the amount of information required for submission by a mortgage loan originator. Specifically, the final rule does not require submission of financial history information such as bankruptcies and liens; employment and terminations; pending actions; and felonies unrelated to crimes of dishonesty. Furthermore, the Agencies declined to include loan modification activities in the final rule's definition of mortgage loan originator. Under the OTS's rule, Agency-regulated institution employees engaged solely in bona fide cost-free loss mitigation efforts, which result in reduced and sustainable payments for the borrower generally would not meet the definition of "mortgage loan originator." This reduces the number of savings association employees subject to the final rule's requirements.

FCA: Pursuant to section 605(b) of the RFA (5 U.S.C. 601 *et seq.*) the FCA certifies that the final rule will not have a significant economic impact on a substantial number of small entities. Each of the banks in the Farm Credit



System, considered together with its affiliated associations, has assets and annual income in excess of the amounts that would qualify them as small entities.

The comment letter from the Office of Advocacy in the Small Business Administration (SBA) stated that the FCA did not provide any information about the potential impact of the rule on FCS institutions. The RFA requires each agency to certify that a rulemaking will not have a significant economic impact on a significant number of small entities. The FCA observes that the RFA definition of "small entity" derives from the SBA's definition of "small business concern," including size standards. According to section 3(a)(1) of the Small Business Act, as amended, a small business concern is independently owned and operated, and it is not dominant in its field of operation. Whether a business concern is "independently owned and operated" depends, in part, on its affiliation with other business entities. Generally, an affiliate is either controlled by, or has control over another entity. Businesses that are economically dependent on each other because of their ownership, management, and contractual relationships may be affiliates. FCS associations own and control their funding banks. Additionally, FCS associations borrow exclusively from their funding banks, and they pledge virtually all of their loans and other assets to these banks to secure their loans. For these reasons, the FCA has determined that the interrelated ownership, control, and contractual relationships are sufficient to treat FCS banks and associations as a single entity for the purposes of the RFA.

SBA regulations also establish size categories to determine whether entities that engage in "Credit Intermediation and Related Activities" are small business concerns. These regulations categorize "All Other Non-Depository Credit Intermediation" institutions as small entities if their annual receipts are \$7 million or less. As affiliated entities, the combined annual receipts of each Farm Credit bank and its affiliated associations exceed \$7 million. For this reason, FCS institutions do not qualify as small entities under the RFA.

NCUA: In accordance with the RFA, 5 U.S.C. 601–612, NCUA must publish a regulatory flexibility analysis with its final rule, unless NCUA certifies that the rule will not have a significant economic impact on a substantial number of small entities (defined for purposes of the RFA to include credit unions with less than \$10 million in assets). Approximately 2,995 out of

7,554 Federally insured credit unions and 61 out of 156 non-Federally insured credit unions are small entities. NCUA hereby certifies that the final rule would not have a significant economic impact on a substantial number of these small entities.

The final rule will apply to all Federally insured credit unions, non-Federally insured credit unions located in States where the State supervisory authorities enter into and maintain MOUs with NCUA, and employees who act as mortgage originators for these credit unions. The final rule imposes no requirements on credit unions not originating residential mortgages. This accounts for 1,923 of the 2,995 small, Federally insured credit unions and 45 of the 61 small, non-Federally insured credit unions.

Under the final rule, all these credit unions, including small entities, originating any residential mortgages must have policies and procedures in place for mortgage loan origination registration. This currently includes only about 1,072 of the 2,995 small, Federally insured credit unions, and only about 16 of the 61 small, non-Federally insured credit unions. The policies and procedures must be appropriate to the nature, size, complexity, and scope of the credit unions' mortgage lending activities and will apply only to those employees acting within their scope of credit union employment.

Approximately 2,716 of the 2,995 small, Federally insured credit unions, and 15 of the 16 small, non-Federally insured credit unions, would qualify for the final rule's *de minimis* exception to the registration requirements for mortgage loan originators because they originate fewer than five or no residential mortgage loans. Those credit unions not originating mortgages have no obligations under this final rule. Those small credit unions and their employees originating between one and four mortgages per year are not subject to the final rule's registration requirements and, thus, drafting and implementing the policies and procedures will not be burdensome.

Accordingly, NCUA estimates only about 279 of the 2,995 small Federally insured credit unions, about 9.3% of them, and only one of the 61 small, non-Federally insured credit unions, about 1.6%, will be subject to the final rule's registration requirements and will establish policies and procedures for the registration.

Therefore, for all of the above reasons, NCUA concludes the final rule would not have a significant economic impact

on a substantial number of small credit unions.

#### B. Paperwork Reduction Act

In accordance with the requirements of the Paperwork Reduction Act of 1995, the agencies may not conduct or sponsor, and respondents are not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number.

The information collection requirements contained in this joint final rule have been submitted by the OCC, FDIC, OTS, and NCUA to, and pre-approved by, OMB under section 3506 of the PRA and § 1320.11 of OMB's implementing regulations (5 CFR part 1320). The FCA collects information from Farm Credit System institutions, which are Federal instrumentalities, in the FCA's capacity as their safety and soundness regulator, and, therefore, OMB approval is not required for this collection. The Board reviewed the proposed rule under the authority delegated to the Board by the Office of Management and Budget. The final rule contains requirements subject to the PRA. The requirements are found in 12 CFR \_\_.103(a)–(b), (d)–(e), \_\_.104, and \_\_.105.

No comments concerning PRA were received in response to the notice of proposed rulemaking. Therefore, the hourly burden estimates for respondents noted in the proposed rule have not changed. The agencies have an ongoing interest in your comments. They should be sent to [Agency] Desk Officer, [OMB Control No.], by mail to U.S. Office of Management and Budget, 725 17th Street, NW., 10235, Washington, DC 20503, or by fax to (202) 395–6974. Written comments should address:

(a) Whether the collection of information is necessary for the proper performance of the Federal banking agencies' functions, including whether the information has practical utility;

(b) The accuracy of the estimates of the burden of the information collection, including the validity of the methodology and assumptions used;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of the information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and

(e) Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

*C. OCC Executive Order 12866 Determination*

Executive Order 12866 requires each Federal agency to provide to the Administrator of OMB's Office of Information and Regulatory Affairs (OIRA) a Regulatory Impact Analysis for agency actions that are found to be "significant regulatory actions."

"Significant regulatory actions" include, among other things, rulemakings that "have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities."<sup>1</sup> Regulatory actions that satisfy one or more of these criteria are referred to as "economically significant regulatory actions." In conducting this Regulatory Impact Analysis, Executive Order 12866 requires each Federal agency to provide to OIRA:

- The text of the draft regulatory action, together with a reasonably detailed description of the need for the regulatory action and an explanation of how the regulatory action will meet that need;

- An assessment of the potential costs and benefits of the regulatory action, including an explanation of the manner in which the regulatory action is consistent with a statutory mandate and, to the extent permitted by law, promotes the President's priorities and avoids undue interference with State, local, and Tribal governments in the exercise of their governmental functions;

- An assessment, including the underlying analysis, of benefits anticipated from the regulatory action (such as, but not limited to, the promotion of the efficient functioning of the economy and private markets, the enhancement of health and safety, the protection of the natural environment, and the elimination or reduction of discrimination or bias) together with, to the extent feasible, a quantification of those benefits;

- An assessment, including the underlying analysis, of costs anticipated from the regulatory action (such as, but not limited to, the direct cost both to the government in administering the

regulation and to businesses and others in complying with the regulation, and any adverse effects on the efficient functioning of the economy, private markets (including productivity, employment, and competitiveness), health, safety, and the natural environment), together with, to the extent feasible, a quantification of those costs; and

- An assessment, including the underlying analysis, of costs and benefits of potentially effective and reasonably feasible alternatives to the planned regulation, identified by the agencies or the public (including improving the current regulation and reasonably viable nonregulatory actions), and an explanation why the planned regulatory action is preferable to the identified potential alternatives.

The OCC has concluded that the final rule exceeds the \$100 million criterion and therefore is an economically significant regulatory action. As required by Executive Order 12866, the OCC prepared a Regulatory Impact Analysis, which was submitted to OIRA on January 8, 2010. The OCC's final set of revisions responding to OIRA comments was submitted on July 1, 2010. As discussed in more detail in the Regulatory Impact Analysis, the OCC determined that given the constraints imposed on the OCC by the S.A.F.E. Act, and based on the estimated mean cost, the rule was the least cost option available to the OCC. The OCC's Regulatory Impact Analysis in its entirety is available at <http://www.regulations.gov>, docket ID OCC-2010-0007.

*D. OTS Executive Order 12866 Determination*

Executive Order 12866 requires each Federal agency to provide the Administrator of OMB's OIRA a Regulatory Impact Analysis for agency actions that are found to be "significant regulatory actions." Significant regulatory actions include, among other things, rulemakings that "have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or Tribal governments or communities."<sup>1</sup>

<sup>1</sup> Executive Order 12866 (September 30, 1993), 58 FR 51735 (October 4, 1993). For the complete text of the definition of "significant regulatory action," see E.O. 12866 at § 3(f). A "regulatory action" is "any substantive action by an agency (normally published in the **Federal Register**) that promulgates or is expected to lead to the promulgation of a final rule or regulation, including notices of inquiry, advance notices of proposed rulemaking, and

Regulatory actions that satisfy one or more of these criteria are referred to as "economically significant regulatory actions." In conducting this Regulatory Impact Analysis, Executive Order 12866 requires each Federal agency to provide to OIRA:

- The text of the draft regulatory action, together with a reasonably detailed description of the need for the regulatory action and an explanation of how the regulatory action will meet that need;

- An assessment of the potential costs and benefits of the regulatory action, including an explanation of the manner in which the regulatory action is consistent with a statutory mandate and, to the extent permitted by law, promotes the President's priorities and avoids undue interference with State, local, and Tribal governments in the exercise of their governmental functions;

- An assessment, including the underlying analysis, of benefits anticipated from the regulatory action (such as, but not limited to, the promotion of the efficient functioning of the economy and private markets, the enhancement of health and safety, the protection of the natural environment, and the elimination or reduction of discrimination or bias) together with, to the extent feasible, a quantification of those benefits;

- An assessment, including the underlying analysis, of costs anticipated from the regulatory action (such as, but not limited to, the direct cost both to the government in administering the regulation and to businesses and others in complying with the regulation, and any adverse effects on the efficient functioning of the economy, private markets (including productivity, employment, and competitiveness), health, safety, and the natural environment), together with, to the extent feasible, a quantification of those costs; and

- An assessment, including the underlying analysis, of costs and benefits of potentially effective and reasonably feasible alternatives to the planned regulation, identified by the agencies or the public (including improving the current regulation and reasonably viable nonregulatory actions), and an explanation why the planned regulatory action is preferable to the identified potential alternatives.

The OTS has determined that this final rule is not a significant regulatory action under Executive Order 12866. We have concluded that the changes made by this final rule will not have an

notice of proposed rulemaking." E.O. 12866 at § 3(e).

<sup>1</sup> Executive Order 12866 (September 30, 1993), 58 FR 51735 (October 4, 1993). For the complete text of the definition of "significant regulatory action," see E.O. 12866 at § 3(f). A "regulatory action" is "any substantive action by an agency (normally published in the **Federal Register**) that promulgates or is expected to lead to the promulgation of a final rule or regulation, including notices of inquiry, advance notices of proposed rulemaking, and notices of proposed rulemaking." E.O. 12866 at § 3(e).

annual effect on the economy of \$100 million or more. The OTS further concludes that this final rule does not meet any of the other standards for a significant regulatory action set forth in Executive Order 12866. As required by Executive Order 12866, the OTS prepared a Regulatory Impact Analysis, which was submitted to OIRA on March 9, 2010. The OTS's final revisions were submitted to OIRA on July 12, 2010. As discussed in more detail in the Regulatory Impact Analysis, the OTS determined that given the constraints imposed on the OTS by the S.A.F.E. Act, and based on the estimated cost, the rule was the least cost option available to the OTS. The OTS's Regulatory Impact Analysis in its entirety is available at <http://www.regulations.gov>, Docket No. OTS-2010-0021.

#### *E. OCC and OTS Unfunded Mandates Reform Act of 1995 Determination*

Section 202 of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1532), requires the OCC and OTS to prepare a budgetary impact statement before promulgating a rule that includes a Federal mandate that may result in the expenditure by State, local, and Tribal governments, in the aggregate, or by the private sector, of \$133 million or more in any one year. However, this requirement does not apply to regulations that incorporate requirements specifically set forth in law. Because this proposed rule implements the S.A.F.E. Act, the OTS and OCC have not conducted an Unfunded Mandates Analysis for this rulemaking.<sup>1</sup>

#### *F. OCC and OTS Executive Order 13132 Determination*

E.O. 13132 sets forth certain "Fundamental Federalism Principles" and "Federalism Policymaking Criteria" that must be followed by the OCC and OTS in developing any regulation that has Federalism implications. A regulation has Federalism implications if it has "substantial direct effects on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government." If a rule meets the test for Federalism implications, the executive order requires the agency, among other things, to prepare a Federalism summary impact statement for inclusion in the rule's

**SUPPLEMENTARY INFORMATION** section and must consult with State and local officials about the rule. The OCC and

OTS have determined that their respective portions of the final rule do not have a substantial direct effect on the States, on the connection between the national government and the States, or on the distribution of power and responsibilities among the various levels of government. Therefore, the final rule does not have any Federalism implications for purposes of Executive Order 13132.

#### *G. NCUA Executive Order 13132 Determination*

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their actions on State and local interests. In adherence to fundamental Federalism principles, the NCUA, an independent regulatory agency as defined in 44 U.S.C. 3502(5) voluntarily complies with the Executive Order. The final rule applies to credit unions and would not have substantial direct effects on the States, on the connection between the national government and the States, or on the distribution of power and responsibilities among the various levels of government. The NCUA has determined that the final rule does not constitute a policy that has Federalism implications for purposes of the Executive Order.

#### *H. NCUA: The Treasury and General Government Appropriations Act, 1999—Assessment of Federal Regulations and Policies on Families*

The NCUA has determined that this final rule would not affect family well-being within the meaning of section 654 of the Treasury and General Government Appropriations Act, 1999, Public Law 105-277, 112 Stat. 2681 (1998).

#### *I. NCUA: Small Business Regulatory Enforcement Fairness Act*

The Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104-121) (SBREFA) provides generally for congressional review of agency rules. A reporting requirement is triggered in instances where NCUA issues a final rule as defined by section 551 of the Administrative Procedure Act. 5 U.S.C. 551. NCUA does not believe this final rule is a "major rule" within the meaning of the relevant sections of SBREFA. NCUA has submitted the rule to the Office of Management and Budget (OMB) for its determination and OMB concurred that the rule is not a major rule.

## List of Subjects

### *12 CFR Part 34*

Mortgages, National banks, Reporting and recordkeeping requirements.

### *12 CFR Part 208*

Accounting, Agriculture, Banks, banking, Confidential business information, Consumer protection, Crime, Currency, Insurance, Investments, Mortgages, Reporting and recordkeeping requirements, Securities.

### *12 CFR Part 211*

Exports, Foreign banking, Holding companies, Investments, Reporting and recordkeeping requirements.

### *12 CFR Part 365*

Banks, banking, Mortgages.

### *12 CFR Part 563*

Accounting, Administrative practice and procedure, Advertising, Conflict of interests, Crime, Currency, Holding companies, Investments, Mortgages, Reporting and recordkeeping requirements, Savings associations, Securities, Surety bonds.

### *12 CFR Part 610*

Banks, banking, Consumer protection, Loan programs—housing and community development, Mortgages, Reporting and recordkeeping requirements, Rural areas.

### *12 CFR Part 741*

Bank deposit insurance, Credit unions, Reporting and recordkeeping requirements.

### *12 CFR Part 761*

Credit unions, Mortgages, Reporting and recordkeeping requirements.

## Office of the Comptroller of the Currency

### 12 CFR Chapter I

#### Authority and Issuance

■ For the reasons set forth in the preamble, chapter I of title 12 of the Code of Federal Regulations is amended as follows:

### PART 34—REAL ESTATE LENDING AND APPRAISALS

■ 1. The authority citation for part 34 is revised to read as follows:

**Authority:** 12 U.S.C. 1 *et seq.*, 29, 93a, 371, 1701j-3, 1828(o), 3331 *et seq.*, and 5101 *et seq.*

■ 2. Add Subpart F to part 34 to read as follows:

<sup>1</sup> See 2 U.S.C. 1531.

**Subpart F—Registration of Residential Mortgage Loan Originators**

Sec.

34.101 Authority, purpose, and scope.

34.102 Definitions.

34.103 Registration of mortgage loan originators.

34.104 Policies and procedures.

34.105 Use of unique identifier.

Appendix A to Subpart F of Part 34—

Examples of Mortgage Loan Originator Activities

**Subpart F—Registration of Residential Mortgage Loan Originators****§ 34.101 Authority, purpose, and scope.**

(a) *Authority.* This subpart is issued pursuant to the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, title V of the Housing and Economic Recovery Act of 2008 (S.A.F.E. Act) (Pub. L. 110–289, 122 Stat. 2654, 12 U.S.C. 5101 *et seq.*).

(b) *Purpose.* This subpart implements the S.A.F.E. Act's Federal registration requirement for mortgage loan originators. The S.A.F.E. Act provides that the objectives of this registration include aggregating and improving the flow of information to and between regulators; providing increased accountability and tracking of mortgage loan originators; enhancing consumer protections; supporting anti-fraud measures; and providing consumers with easily accessible information at no charge regarding the employment history of, and publicly adjudicated disciplinary and enforcement actions against, mortgage loan originators.

(c) *Scope.* (1) *In general.* This subpart applies to national banks, Federal branches and agencies of foreign banks, their operating subsidiaries (collectively referred to in this subpart as national banks), and their employees who act as mortgage loan originators.

(2) *De minimis exception.* (i) This subpart and the requirements of 12 U.S.C. 5103(a)(1)(A) and (2) of the S.A.F.E. Act do not apply to any employee of a national bank who has never been registered or licensed through the Registry as a mortgage loan originator if during the past 12 months the employee acted as a mortgage loan originator for 5 or fewer residential mortgage loans.

(ii) Prior to engaging in mortgage loan origination activity that exceeds the exception limit in paragraph (c)(2)(i) of this section, a national bank employee must register with the Registry pursuant to this subpart.

(iii) *Evasion.* National banks are prohibited from engaging in any act or practice to evade the limits of the *de minimis* exception set forth in paragraph (c)(2)(i) of this section.

**§ 34.102 Definitions.**

For purposes of this subpart F, the following definitions apply:

(a) *Annual renewal period* means November 1 through December 31 of each year.

(b)(1) *Mortgage loan originator*<sup>3</sup> means an individual who:

(i) Takes a residential mortgage loan application; and

(ii) Offers or negotiates terms of a residential mortgage loan for compensation or gain.

(2) The term *mortgage loan originator* does not include:

(i) An individual who performs purely administrative or clerical tasks on behalf of an individual who is described in paragraph (b)(1) of this section;

(ii) An individual who only performs real estate brokerage activities (as defined in 12 U.S.C. 5102(3)(D)) and is licensed or registered as a real estate broker in accordance with applicable State law, unless the individual is compensated by a lender, a mortgage broker, or other mortgage loan originator or by any agent of such lender, mortgage broker, or other mortgage loan originator, and meets the definition of mortgage loan originator in paragraph (b)(1) of this section; or

(iii) An individual or entity solely involved in extensions of credit related to timeshare plans, as that term is defined in 11 U.S.C. 101(53D).

(3) *Administrative or clerical tasks* means the receipt, collection, and distribution of information common for the processing or underwriting of a loan in the residential mortgage industry and communication with a consumer to obtain information necessary for the processing or underwriting of a residential mortgage loan.

(c) *Nationwide Mortgage Licensing System and Registry* or *Registry* means the system developed and maintained by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators for the State licensing and registration of State-licensed mortgage loan originators and the registration of mortgage loan originators pursuant to 12 U.S.C. 5107.

(d) *Registered mortgage loan originator* or *registrant* means any individual who:

(1) Meets the definition of mortgage loan originator and is an employee of a national bank; and

<sup>3</sup> Appendix A of this subpart provides examples of activities that would, and would not, cause an employee to fall within this definition of mortgage loan originator.

(2) Is registered pursuant to this subpart with, and maintains a unique identifier through, the Registry.

(e) *Residential mortgage loan* means any loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling (as defined in section 103(v) of the Truth in Lending Act, 15 U.S.C. 1602(v)) or residential real estate upon which is constructed or intended to be constructed a dwelling, and includes refinancings, reverse mortgages, home equity lines of credit and other first and additional lien loans that meet the qualifications listed in this definition.

(f) *Unique identifier* means a number or other identifier that:

(1) Permanently identifies a registered mortgage loan originator;

(2) Is assigned by protocols established by the Nationwide Mortgage Licensing System and Registry, the Federal banking agencies, and the Farm Credit Administration to facilitate:

(i) Electronic tracking of mortgage loan originators; and

(ii) Uniform identification of, and public access to, the employment history of and the publicly adjudicated disciplinary and enforcement actions against mortgage loan originators; and

(3) Must not be used for purposes other than those set forth under the S.A.F.E. Act.

**§ 34.103 Registration of mortgage loan originators.**

(a) *Registration requirement—(1) Employee registration.* Each employee of a national bank who acts as a mortgage loan originator must register with the Registry, obtain a unique identifier, and maintain this registration in accordance with the requirements of this subpart. Any such employee who is not in compliance with the registration and unique identifier requirements set forth in this subpart is in violation of the S.A.F.E. Act and this subpart.

(2) *National bank requirement—(i) In general.* A national bank that employs one or more individuals who act as a residential mortgage loan originator must require each such employee to register with the Registry, maintain this registration, and obtain a unique identifier in accordance with the requirements of this subpart.

(ii) *Prohibition.* A national bank must not permit an employee of the bank who is subject to the registration requirements of this subpart to act as a mortgage loan originator for the bank unless such employee is registered with the Registry pursuant to this subpart.

(3) *Implementation period for initial registration.* An employee of a national bank who is a mortgage loan originator must complete an initial registration with the Registry pursuant to this subpart within 180 days from the date that the OCC provides in a public notice that the Registry is accepting registrations.

(4) *Employees previously registered or licensed through the Registry—(i) In general.* If an employee of a national bank was registered or licensed through, and obtained a unique identifier from, the Registry and has maintained this registration or license before the employee becomes subject to this subpart at this bank, then the registration requirements of the S.A.F.E. Act and this subpart are deemed to be met, provided that:

(A) The employment information in paragraphs (d)(1)(i)(C) and (d)(1)(ii) of this section is updated and the requirements of paragraph (d)(2) of this section are met;

(B) New fingerprints of the employee are submitted to the Registry for a background check, as required by paragraph (d)(1)(ix) of this section, unless the employee has fingerprints on file with the Registry that are less than 3 years old;

(C) The national bank information required in paragraphs (e)(1)(i) (to the extent the bank has not previously met these requirements) and (e)(2)(i) of this section is submitted to the Registry; and

(D) The registration is maintained pursuant to paragraphs (b) and (e)(1)(ii) of this section, as of the date that the employee becomes subject to this subpart.

(i) *Rule for certain acquisitions, mergers, or reorganizations.* When registered or licensed mortgage loan originators become national bank employees as a result of an acquisition, merger, or reorganization, only the requirements of paragraphs (a)(4)(i)(A), (C), and (D) of this section must be met, and these requirements must be met within 60 days from the effective date of the acquisition, merger, or reorganization.

(b) *Maintaining registration.* (1) A mortgage loan originator who is registered with the Registry pursuant to paragraph (a) of this section must:

(i) Except as provided in paragraph (b)(3) of this section, renew the registration during the annual renewal period, confirming the responses set forth in paragraphs (d)(1)(i) through (viii) of this section remain accurate and complete, and updating this information, as appropriate; and

(ii) Update the registration within 30 days of any of the following events:

(A) A change in the name of the registrant;

(B) The registrant ceases to be an employee of the national bank; or

(C) The information required under paragraphs (d)(1)(iii) through (viii) of this section becomes inaccurate, incomplete, or out-of-date.

(2) A registered mortgage loan originator must maintain his or her registration, unless the individual is no longer engaged in the activity of a mortgage loan originator.

(3) The annual registration renewal requirement set forth in paragraph (b)(1) of this section does not apply to a registered mortgage loan originator who has completed his or her registration with the Registry pursuant to paragraph (a)(1) of this section less than 6 months prior to the end of the annual renewal period.

(c) *Effective dates—(1) Registration.* A registration pursuant to paragraph (a)(1) of this section is effective on the date the Registry transmits notification to the registrant that the registrant is registered.

(2) *Renewals or updates.* A renewal or update pursuant to paragraph (b) of this section is effective on the date the Registry transmits notification to the registrant that the registration has been renewed or updated.

(d) *Required employee information—(1) In general.* For purposes of the registration required by this section, a national bank must require each employee who is a mortgage loan originator to submit to the Registry, or must submit on behalf of the employee, the following categories of information, to the extent this information is collected by the Registry:

(i) Identifying information, including the employee's:

(A) Name and any other names used;

(B) Home address and contact information;

(C) Principal business location address and business contact information;

(D) Social security number;

(E) Gender; and

(F) Date and place of birth;

(ii) Financial services-related employment history for the 10 years prior to the date of registration or renewal, including the date the employee became an employee of the bank;

(iii) Convictions of any criminal offense involving dishonesty, breach of trust, or money laundering against the employee or organizations controlled by the employee, or agreements to enter into a pretrial diversion or similar program in connection with the prosecution for such offense(s);

(iv) Civil judicial actions against the employee in connection with financial services-related activities, dismissals with settlements, or judicial findings that the employee violated financial services-related statutes or regulations, except for actions dismissed without a settlement agreement;

(v) Actions or orders by a State or Federal regulatory agency or foreign financial regulatory authority that:

(A) Found the employee to have made a false statement or omission or been dishonest, unfair or unethical; to have been involved in a violation of a financial services-related regulation or statute; or to have been a cause of a financial services-related business having its authorization to do business denied, suspended, revoked, or restricted;

(B) Are entered against the employee in connection with a financial services-related activity;

(C) Denied, suspended, or revoked the employee's registration or license to engage in a financial services-related activity; disciplined the employee or otherwise by order prevented the employee from associating with a financial services-related business or restricted the employee's activities; or

(D) Barred the employee from association with an entity or its officers regulated by the agency or authority or from engaging in a financial services-related business;

(vi) Final orders issued by a State or Federal regulatory agency or foreign financial regulatory authority based on violations of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct;

(vii) Revocation or suspension of the employee's authorization to act as an attorney, accountant, or State or Federal contractor;

(viii) Customer-initiated financial services-related arbitration or civil action against the employee that required action, including settlements, or which resulted in a judgment; and

(ix) Fingerprints of the employee, in digital form if practicable, and any appropriate identifying information for submission to the Federal Bureau of Investigation and any governmental agency or entity authorized to receive such information in connection with a State and national criminal history background check; however, fingerprints provided to the Registry that are less than 3 years old may be used to satisfy this requirement.

(2) *Employee authorizations and attestation.* An employee registering as a mortgage loan originator or renewing or updating his or her registration under this subpart, and not the employing

national bank or other employees of the national bank, must:

(i) Authorize the Registry 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;

(ii) Attest to the correctness of all information required by paragraph (d) of this section, whether submitted by the employee or on behalf of the employee by the employing bank; and

(iii) Authorize the Registry to make available to the public information required by paragraphs (d)(1)(i)(A) and (C), and (d)(1)(ii) through (viii) of this section.

(3) *Submission of information.* A national bank may identify one or more employees of the bank who may submit the information required by paragraph (d)(1) of this section to the Registry on behalf of the bank's employees provided that this individual, and any employee delegated such authority, does not act as a mortgage loan originator, consistent with paragraph (e)(1)(i)(F) of this section. In addition, a national bank may submit to the Registry some or all of the information required by paragraphs (d)(1) and (e)(2) of this section for multiple employees in bulk through batch processing in a format to be specified by the Registry, to the extent such batch processing is made available by the Registry.

(e) *Required bank information.* A national bank must submit the following categories of information to the Registry:

(1) *Bank record.* (i) In connection with the registration of one or more mortgage loan originators:

(A) Name, main office address, and business contact information;

(B) Internal Revenue Service Employer Tax Identification Number (EIN);

(C) Research Statistics Supervision and Discount (RSSD) number, as issued by the Board of Governors of the Federal Reserve System;

(D) Identification of its primary Federal regulator;

(E) Name(s) and contact information of the individual(s) with authority to act as the bank's primary point of contact for the Registry;

(F) Name(s) and contact information of the individual(s) with authority to enter the information required by paragraphs (d)(1) and (e) of this section to the Registry and who may delegate this authority to other individuals. For the purpose of providing information required by paragraph (e) of this section, this individual and their delegates must not act as mortgage loan originators

unless the bank has 10 or fewer full time or equivalent employees and is not a subsidiary; and

(G) If a subsidiary of a national bank, indication that it is a subsidiary and the RSSD number of the parent bank.

(ii) *Attestation.* The individual(s) identified in paragraphs (e)(1)(i)(E) and (F) of this section must comply with Registry protocols to verify their identity and must attest that they have the authority to enter data on behalf of the national bank, that the information provided to the Registry pursuant to this paragraph (e) is correct, and that the national bank will keep the information required by this paragraph (e) current and will file accurate supplementary information on a timely basis.

(iii) A national bank must update the information required by this paragraph (e) of this section within 30 days of the date that this information becomes inaccurate.

(iv) A national bank must renew the information required by paragraph (e) of this section on an annual basis.

(2) *Employee information.* In connection with the registration of each employee who acts as a mortgage loan originator:

(i) After the information required by paragraph (d) of this section has been submitted to the Registry, confirmation that it employs the registrant; and

(ii) Within 30 days of the date the registrant ceases to be an employee of the bank, notification that it no longer employs the registrant and the date the registrant ceased being an employee.

#### § 34.104 Policies and procedures.

A national bank that employs one or more mortgage loan originators must adopt and follow written policies and procedures designed to assure compliance with this subpart. These policies and procedures must be appropriate to the nature, size, complexity, and scope of the mortgage lending activities of the bank, and apply only to those employees acting within the scope of their employment at the bank. At a minimum, these policies and procedures must:

(a) Establish a process for identifying which employees of the bank are required to be registered mortgage loan originators;

(b) Require that all employees of the national bank who are mortgage loan originators be informed of the registration requirements of the S.A.F.E. Act and this subpart and be instructed on how to comply with such requirements and procedures;

(c) Establish procedures to comply with the unique identifier requirements in § 34.105;

(d) Establish reasonable procedures for confirming the adequacy and accuracy of employee registrations, including updates and renewals, by comparisons with its own records;

(e) Establish reasonable procedures and tracking systems for monitoring compliance with registration and renewal requirements and procedures;

(f) Provide for independent testing for compliance with this subpart to be conducted at least annually by bank personnel or by an outside party;

(g) Provide for appropriate action in the case of any employee who fails to comply with the registration requirements of the S.A.F.E. Act, this subpart, or the bank's related policies and procedures, including prohibiting such employees from acting as mortgage loan originators or other appropriate disciplinary actions;

(h) Establish a process for reviewing employee criminal history background reports received pursuant to this subpart, taking appropriate action consistent with applicable Federal law, including section 19 of the Federal Deposit Insurance Act (12 U.S.C. 1829) and implementing regulations with respect to these reports, and maintaining records of these reports and actions taken with respect to applicable employees; and

(i) Establish procedures designed to ensure that any third party with which the bank has arrangements related to mortgage loan origination has policies and procedures to comply with the S.A.F.E. Act, including appropriate licensing and/or registration of individuals acting as mortgage loan originators.

#### § 34.105 Use of unique identifier.

(a) The national bank shall make the unique identifier(s) of its registered mortgage loan originator(s) available to consumers in a manner and method practicable to the institution.

(b) A registered mortgage loan originator shall provide his or her unique identifier to a consumer:

(1) Upon request;

(2) Before acting as a mortgage loan originator; and

(3) Through the originator's initial written communication with a consumer, if any, whether on paper or electronically.

#### Appendix A to Subpart F of Part 34— Examples of Mortgage Loan Originator Activities

This Appendix provides examples to aid in the understanding of activities that would cause an employee of a national bank to fall within or outside the definition of mortgage loan originator. The examples in this

Appendix are not all inclusive. They illustrate only the issue described and do not illustrate any other issues that may arise under this subpart. For purposes of the examples below, the term "loan" refers to a residential mortgage loan.

(a) *Taking a loan application.* The following examples illustrate when an employee takes, or does not take, a loan application.

(1) Taking an application includes: receiving information provided in connection with a request for a loan to be used to determine whether the consumer qualifies for a loan, even if the employee:

(i) Has received the consumer's information indirectly in order to make an offer or negotiate a loan;

(ii) Is not responsible for verifying information;

(iii) Is inputting information into an online application or other automated system on behalf of the consumer; or

(iv) Is not engaged in approval of the loan, including determining whether the consumer qualifies for the loan.

(2) Taking an application does not include any of the following activities performed solely or in combination:

(i) Contacting a consumer to verify the information in the loan application by obtaining documentation, such as tax returns or payroll receipts;

(ii) Receiving a loan application through the mail and forwarding it, without review, to loan approval personnel;

(iii) Assisting a consumer who is filling out an application by clarifying what type of information is necessary for the application or otherwise explaining the qualifications or criteria necessary to obtain a loan product;

(iv) Describing the steps that a consumer would need to take to provide information to be used to determine whether the consumer qualifies for a loan or otherwise explaining the loan application process;

(v) In response to an inquiry regarding a prequalified offer that a consumer has received from a bank, collecting only basic identifying information about the consumer and forwarding the consumer to a mortgage loan originator; or

(vi) Receiving information in connection with a modification to the terms of an existing loan to a borrower as part of the bank's loss mitigation efforts when the borrower is reasonably likely to default.

(b) *Offering or negotiating terms of a loan.* The following examples are designed to illustrate when an employee offers or negotiates terms of a loan, and conversely, what does not constitute offering or negotiating terms of a loan.

(1) Offering or negotiating the terms of a loan includes:

(i) Presenting a loan offer to a consumer for acceptance, either verbally or in writing, including, but not limited to, providing a disclosure of the loan terms after application under the Truth in Lending Act, even if:

(A) Further verification of information is necessary;

(B) The offer is conditional;

(C) Other individuals must complete the loan process; or

(D) Only the rate approved by the bank's loan approval mechanism function for a

specific loan product is communicated without authority to negotiate the rate.

(ii) Responding to a consumer's request for a lower rate or lower points on a pending loan application by presenting to the consumer a revised loan offer, either verbally or in writing, that includes a lower interest rate or lower points than the original offer.

(2) Offering or negotiating terms of a loan does not include solely or in combination:

(i) Providing general explanations or descriptions in response to consumer queries regarding qualification for a specific loan product, such as explaining loan terminology (*i.e.*, debt-to-income ratio); lending policies (*i.e.*, the loan-to-value ratio policy of the national bank); or product-related services;

(ii) In response to a consumer's request, informing a consumer of the loan rates that are publicly available, such as on the national bank's Web site, for specific types of loan products without communicating to the consumer whether qualifications are met for that loan product;

(iii) Collecting information about a consumer in order to provide the consumer with information on loan products for which the consumer generally may qualify, without presenting a specific loan offer to the consumer for acceptance, either verbally or in writing;

(iv) Arranging the loan closing or other aspects of the loan process, including communicating with a consumer about those arrangements, provided that communication with the consumer only verifies loan terms already offered or negotiated;

(v) Providing a consumer with information unrelated to loan terms, such as the best days of the month for scheduling loan closings at the bank;

(vi) Making an underwriting decision about whether the consumer qualifies for a loan;

(vii) Explaining or describing the steps or process that a consumer would need to take in order to obtain a loan offer, including qualifications or criteria that would need to be met without providing guidance specific to that consumer's circumstances; or

(viii) Communicating on behalf of a mortgage loan originator that a written offer, including disclosures provided pursuant to the Truth in Lending Act, has been sent to a consumer without providing any details of that offer.

(c) *Offering or negotiating a loan for compensation or gain.* The following examples illustrate when an employee does or does not offer or negotiate terms of a loan "for compensation or gain."

(1) Offering or negotiating terms of a loan for compensation or gain includes engaging in any of the activities in paragraph (b)(1) of this Appendix in the course of carrying out employment duties, even if the employee does not receive a referral fee or commission or other special compensation for the loan.

(2) Offering or negotiating terms of a loan for compensation or gain does not include engaging in a seller-financed transaction for the employee's personal property that does not involve the national bank.

## Board of Governors of the Federal Reserve System

### 12 CFR Chapter II

#### Authority and Issuance

■ For the reasons set forth in the preamble, chapter II of title 12 of the Code of Federal Regulations is amended as follows:

#### PART 208—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM (REGULATION H)

■ 1. The authority citation for part 208 is revised to read as follows:

**Authority:** 12 U.S.C. 24, 36, 92a, 93a, 248(a), 248(c), 321–338a, 371d, 461, 481–486, 601, 611, 1814, 1816, 1820(d)(9), 1823(j), 1828(o), 1831, 1831o, 1831p–1, 1831r–1, 1831w, 1831x, 1835a, 1882, 2901–2907, 3105, 3106a(1), 3108(a), 3310, 3331–3351, and 3906–3909, 5101 *et seq.*, 15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o–4(c)(5), 78q, 78q–1, 78w, 1681s, 1681w, 6801 and 6805; 31 U.S.C. 5318, 42 U.S.C. 4012a, 4104a, 4104b, 4106, and 4128.

■ 2. Subpart I, consisting of §§ 208.100 and 208.101, is redesignated as Subpart J, consisting of §§ 208.110 and 208.111.

■ 3. New subpart I is added to read as follows:

#### Subpart I—Registration of Residential Mortgage Loan Originators

Sec.

208.101 Authority, purpose, and scope.

208.102 Definitions.

208.103 Registration of mortgage loan originators.

208.104 Policies and procedures.

208.105 Use of unique identifier.

Appendix A to Subpart I of Part 208—  
Examples of Mortgage Loan Originator  
Activities

#### Subpart I—Registration of Residential Mortgage Loan Originators

##### § 208.101 Authority, purpose, and scope.

(a) *Authority.* This subpart is issued pursuant to the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, title V of the Housing and Economic Recovery Act of 2008 (S.A.F.E. Act) (Pub. L. 110–289, 122 Stat. 2654, 12 U.S.C. 5101 *et seq.*), 12 U.S.C. 248(a), 3106a(1), and 3108(a).

(b) *Purpose.* This subpart implements the S.A.F.E. Act's Federal registration requirement for mortgage loan originators. The S.A.F.E. Act provides that the objectives of this registration include aggregating and improving the flow of information to and between regulators; providing increased accountability and tracking of mortgage loan originators; enhancing consumer protections; supporting anti-fraud measures; and providing consumers



with easily accessible information at no charge regarding the employment history of, and publicly adjudicated disciplinary and enforcement actions against, mortgage loan originators.

(c) *Scope.* (1) *In general.* This subpart applies to member banks of the Federal Reserve System (other than national banks); their respective subsidiaries that are not functionally regulated within the meaning of section 5(c)(5) of the Bank Holding Company Act, as amended (12 U.S.C. 1844(c)(5)); branches and agencies of foreign banks (other than Federal branches, Federal agencies and insured State branches of foreign banks); commercial lending companies owned or controlled by foreign banks (collectively referred to in this subpart as banks); and their employees who act as mortgage loan originators.

(2) *De minimis exception.* (i) This subpart and the requirements of 12 U.S.C. 5103(a)(1)(A) and (2) of the S.A.F.E. Act do not apply to any employee of a bank who has never been registered or licensed through the Registry as a mortgage loan originator if during the past 12 months the employee acted as a mortgage loan originator for 5 or fewer residential mortgage loans.

(ii) Prior to engaging in mortgage loan origination activity that exceeds the exception limit in paragraph (c)(2)(i) of this section, a bank employee must register with the Registry pursuant to this subpart.

(iii) *Evasion.* Banks are prohibited from engaging in any act or practice to evade the limits of the *de minimis* exception set forth in paragraph (c)(2)(i) of this section.

#### § 208.102 Definitions.

For purposes of this subpart I, the following definitions apply:

(a) *Annual renewal period* means November 1 through December 31 of each year.

(b)(1) *Mortgage loan originator*<sup>7</sup> means an individual who:

(i) Takes a residential mortgage loan application; and

(ii) Offers or negotiates terms of a residential mortgage loan for compensation or gain.

(2) The term *mortgage loan originator* does not include:

(i) An individual who performs purely administrative or clerical tasks on behalf of an individual who is described in paragraph (b)(1) of this section;

(ii) An individual who only performs real estate brokerage activities (as

defined in 12 U.S.C. 5102(3)(D)) and is licensed or registered as a real estate broker in accordance with applicable State law, unless the individual is compensated by a lender, a mortgage broker, or other mortgage loan originator or by any agent of such lender, mortgage broker, or other mortgage loan originator, and meets the definition of mortgage loan originator in paragraph (b)(1) of this section; or

(iii) An individual or entity solely involved in extensions of credit related to timeshare plans, as that term is defined in 11 U.S.C. 101(53D).

(3) *Administrative or clerical tasks* means the receipt, collection, and distribution of information common for the processing or underwriting of a loan in the residential mortgage industry and communication with a consumer to obtain information necessary for the processing or underwriting of a residential mortgage loan.

(c) *Nationwide Mortgage Licensing System and Registry* or *Registry* means the system developed and maintained by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators for the State licensing and registration of State-licensed mortgage loan originators and the registration of mortgage loan originators pursuant to 12 U.S.C. 5107.

(d) *Registered mortgage loan originator* or *registrant* means any individual who:

(1) Meets the definition of mortgage loan originator and is an employee of a bank; and

(2) Is registered pursuant to this subpart with, and maintains a unique identifier through, the Registry.

(e) *Residential mortgage loan* means any loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling (as defined in section 103(v) of the Truth in Lending Act, 15 U.S.C. 1602(v)) or residential real estate upon which is constructed or intended to be constructed a dwelling, and includes refinancings, reverse mortgages, home equity lines of credit and other first and additional lien loans that meet the qualifications listed in this definition.

(f) *Unique identifier* means a number or other identifier that:

(1) Permanently identifies a registered mortgage loan originator;

(2) Is assigned by protocols established by the Nationwide Mortgage Licensing System and Registry, the Federal banking agencies, and the Farm Credit Administration to facilitate:

(i) Electronic tracking of mortgage loan originators; and

(ii) Uniform identification of, and public access to, the employment history of and the publicly adjudicated disciplinary and enforcement actions against mortgage loan originators; and

(3) Must not be used for purposes other than those set forth under the S.A.F.E. Act.

#### § 208.103 Registration of mortgage loan originators.

(a) *Registration requirement*—(1) *Employee registration.* Each employee of a bank who acts as a mortgage loan originator must register with the Registry, obtain a unique identifier, and maintain this registration in accordance with the requirements of this subpart. Any such employee who is not in compliance with the registration and unique identifier requirements set forth in this subpart is in violation of the S.A.F.E. Act and this subpart.

(2) *Bank requirement*—(i) *In general.* A bank that employs one or more individuals who act as a residential mortgage loan originator must require each such employee to register with the Registry, maintain this registration, and obtain a unique identifier in accordance with the requirements of this subpart.

(ii) *Prohibition.* A bank must not permit an employee of the bank who is subject to the registration requirements of this subpart to act as a mortgage loan originator for the bank unless such employee is registered with the Registry pursuant to this subpart.

(3) *Implementation period for initial registration.* An employee of a bank who is a mortgage loan originator must complete an initial registration with the Registry pursuant to this subpart within 180 days from the date that the Board provides in a public notice that the Registry is accepting registrations.

(4) *Employees previously registered or licensed through the Registry*—(i) *In general.* If an employee of a bank was registered or licensed through, and obtained a unique identifier from, the Registry and has maintained this registration or license before the employee becomes subject to this subpart at this bank, then the registration requirements of the S.A.F.E. Act and this subpart are deemed to be met, provided that:

(A) The employment information in paragraphs (d)(1)(i)(C) and (d)(1)(ii) of this section is updated and the requirements of paragraph (d)(2) of this section are met;

(B) New fingerprints of the employee are submitted to the Registry for a background check, as required by paragraph (d)(1)(ix) of this section,

<sup>7</sup> Appendix A of this subpart provides examples of activities that would, and would not, cause an employee to fall within this definition of mortgage loan originator.



unless the employee has fingerprints on file with the Registry that are less than 3 years old;

(C) The bank information required in paragraphs (e)(1)(i) (to the extent the bank has not previously met these requirements) and (e)(2)(i) of this section is submitted to the Registry; and

(D) The registration is maintained pursuant to paragraphs (b) and (e)(1)(ii) of this section, as of the date that the employee becomes subject to this subpart.

(ii) *Rule for certain acquisitions, mergers, or reorganizations.* When registered or licensed mortgage loan originators become bank employees as a result of an acquisition, merger, or reorganization, only the requirements of paragraphs (a)(4)(i)(A), (C), and (D) of this section must be met, and these requirements must be met within 60 days from the effective date of the acquisition, merger, or reorganization.

(b) *Maintaining registration.* (1) A mortgage loan originator who is registered with the Registry pursuant to paragraph (a) of this section must:

(i) Except as provided in paragraph (b)(3) of this section, renew the registration during the annual renewal period, confirming the responses set forth in paragraphs (d)(1)(i) through (viii) of this section remain accurate and complete, and updating this information, as appropriate; and

(ii) Update the registration within 30 days of any of the following events:

(A) A change in the name of the registrant;

(B) The registrant ceases to be an employee of the bank; or

(C) The information required under paragraphs (d)(1)(iii) through (viii) of this section becomes inaccurate, incomplete, or out-of-date.

(2) A registered mortgage loan originator must maintain his or her registration, unless the individual is no longer engaged in the activity of a mortgage loan originator.

(3) The annual registration renewal requirement set forth in paragraph (b)(1) of this section does not apply to a registered mortgage loan originator who has completed his or her registration with the Registry pursuant to paragraph (a)(1) of this section less than 6 months prior to the end of the annual renewal period.

(c) *Effective dates*—(1) *Registration.* A registration pursuant to paragraph (a)(1) of this section is effective on the date the Registry transmits notification to the registrant that the registrant is registered.

(2) *Renewals or updates.* A renewal or update pursuant to paragraph (b) of this section is effective on the date the

Registry transmits notification to the registrant that the registration has been renewed or updated.

(d) *Required employee information*—(1) *In general.* For purposes of the registration required by this section, a bank must require each employee who is a mortgage loan originator to submit to the Registry, or must submit on behalf of the employee, the following categories of information, to the extent this information is collected by the Registry:

(i) Identifying information, including the employee's:

(A) Name and any other names used;

(B) Home address and contact information;

(C) Principal business location address and business contact information;

(D) Social security number;

(E) Gender; and

(F) Date and place of birth;

(ii) Financial services-related employment history for the 10 years prior to the date of registration or renewal, including the date the employee became an employee of the bank;

(iii) Convictions of any criminal offense involving dishonesty, breach of trust, or money laundering against the employee or organizations controlled by the employee, or agreements to enter into a pretrial diversion or similar program in connection with the prosecution for such offense(s);

(iv) Civil judicial actions against the employee in connection with financial services-related activities, dismissals with settlements, or judicial findings that the employee violated financial services-related statutes or regulations, except for actions dismissed without a settlement agreement;

(v) Actions or orders by a State or Federal regulatory agency or foreign financial regulatory authority that:

(A) Found the employee to have made a false statement or omission or been dishonest, unfair or unethical; to have been involved in a violation of a financial services-related regulation or statute; or to have been a cause of a financial services-related business having its authorization to do business denied, suspended, revoked, or restricted;

(B) Are entered against the employee in connection with a financial services-related activity;

(C) Denied, suspended, or revoked the employee's registration or license to engage in a financial services-related activity; disciplined the employee or otherwise by order prevented the employee from associating with a

financial services-related business or restricted the employee's activities; or

(D) Barred the employee from association with an entity or its officers regulated by the agency or authority or from engaging in a financial services-related business;

(vi) Final orders issued by a State or Federal regulatory agency or foreign financial regulatory authority based on violations of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct;

(vii) Revocation or suspension of the employee's authorization to act as an attorney, accountant, or State or Federal contractor;

(viii) Customer-initiated financial services-related arbitration or civil action against the employee that required action, including settlements, or which resulted in a judgment; and

(ix) Fingerprints of the employee, in digital form if practicable, and any appropriate identifying information for submission to the Federal Bureau of Investigation and any governmental agency or entity authorized to receive such information in connection with a State and national criminal history background check; however, fingerprints provided to the Registry that are less than 3 years old may be used to satisfy this requirement.

(2) *Employee authorizations and attestation.* An employee registering as a mortgage loan originator or renewing or updating his or her registration under this subpart, and not the employing bank or other employees of the bank, must:

(i) Authorize the Registry 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;

(ii) Attest to the correctness of all information required by paragraph (d) of this section, whether submitted by the employee or on behalf of the employee by the employing bank; and

(iii) Authorize the Registry to make available to the public information required by paragraphs (d)(1)(i)(A) and (C), and (d)(1)(ii) through (viii) of this section.

(3) *Submission of information.* A bank may identify one or more employees of the bank who may submit the information required by paragraph (d)(1) of this section to the Registry on behalf of the bank's employees provided that this individual, and any employee delegated such authority, does not act as a mortgage loan originator, consistent with paragraph (e)(1)(i)(F) of this section. In addition, a bank may submit

to the Registry some or all of the information required by paragraphs (d)(1) and (e)(2) of this section for multiple employees in bulk through batch processing in a format to be specified by the Registry, to the extent such batch processing is made available by the Registry.

(e) *Required bank information.* A bank must submit the following categories of information to the Registry:

(1) *Bank record.* (i) In connection with the registration of one or more mortgage loan originators:

(A) Name, main office address, and business contact information;

(B) Internal Revenue Service Employer Tax Identification Number (EIN);

(C) Research Statistics Supervision and Discount (RSSD) number, as issued by the Board of Governors of the Federal Reserve System;

(D) Identification of its primary Federal regulator;

(E) Name(s) and contact information of the individual(s) with authority to act as the bank's primary point of contact for the Registry;

(F) Name(s) and contact information of the individual(s) with authority to enter the information required by paragraphs (d)(1) and (e) of this section to the Registry and who may delegate this authority to other individuals. For the purpose of providing information required by paragraph (e) of this section, this individual and their delegates must not act as mortgage loan originators unless the bank has 10 or fewer full time or equivalent employees and is not a subsidiary; and

(G) If a subsidiary of a bank, indication that it is a subsidiary and the RSSD number of the parent bank.

(ii) *Attestation.* The individual(s) identified in paragraphs (e)(1)(i)(E) and (F) of this section must comply with Registry protocols to verify their identity and must attest that they have the authority to enter data on behalf of the bank, that the information provided to the Registry pursuant to this paragraph (e) is correct, and that the bank will keep the information required by this paragraph (e) current and will file accurate supplementary information on a timely basis.

(iii) A bank must update the information required by this paragraph (e) of this section within 30 days of the date that this information becomes inaccurate.

(iv) A bank must renew the information required by paragraph (e) of this section on an annual basis.

(2) *Employee information.* In connection with the registration of each

employee who acts as a mortgage loan originator:

(i) After the information required by paragraph (d) of this section has been submitted to the Registry, confirmation that it employs the registrant; and

(ii) Within 30 days of the date the registrant ceases to be an employee of the bank, notification that it no longer employs the registrant and the date the registrant ceased being an employee.

#### § 208.104 Policies and procedures.

A bank that employs one or more mortgage loan originators must adopt and follow written policies and procedures designed to assure compliance with this subpart. These policies and procedures must be appropriate to the nature, size, complexity, and scope of the mortgage lending activities of the bank, and apply only to those employees acting within the scope of their employment at the bank. At a minimum, these policies and procedures must:

(a) Establish a process for identifying which employees of the bank are required to be registered mortgage loan originators;

(b) Require that all employees of the bank who are mortgage loan originators be informed of the registration requirements of the S.A.F.E. Act and this subpart and be instructed on how to comply with such requirements and procedures;

(c) Establish procedures to comply with the unique identifier requirements in § 208.105;

(d) Establish reasonable procedures for confirming the adequacy and accuracy of employee registrations, including updates and renewals, by comparisons with its own records;

(e) Establish reasonable procedures and tracking systems for monitoring compliance with registration and renewal requirements and procedures;

(f) Provide for independent testing for compliance with this subpart to be conducted at least annually by bank personnel or by an outside party;

(g) Provide for appropriate action in the case of any employee who fails to comply with the registration requirements of the S.A.F.E. Act, this subpart, or the bank's related policies and procedures, including prohibiting such employees from acting as mortgage loan originators or other appropriate disciplinary actions;

(h) Establish a process for reviewing employee criminal history background reports received pursuant to this subpart, taking appropriate action consistent with applicable Federal law, including section 19 of the Federal Deposit Insurance Act (12 U.S.C. 1829)

and implementing regulations with respect to these reports, and maintaining records of these reports and actions taken with respect to applicable employees; and

(i) Establish procedures designed to ensure that any third party with which the bank has arrangements related to mortgage loan origination has policies and procedures to comply with the S.A.F.E. Act, including appropriate licensing and/or registration of individuals acting as mortgage loan originators.

#### § 208.105 Use of unique identifier.

(a) The bank shall make the unique identifier(s) of its registered mortgage loan originator(s) available to consumers in a manner and method practicable to the institution.

(b) A registered mortgage loan originator shall provide his or her unique identifier to a consumer:

(1) Upon request;

(2) Before acting as a mortgage loan originator; and

(3) Through the originator's initial written communication with a consumer, if any, whether on paper or electronically.

#### Appendix A to Subpart I of Part 208—Examples of Mortgage Loan Originator Activities

This Appendix provides examples to aid in the understanding of activities that would cause an employee of a bank to fall within or outside the definition of mortgage loan originator. The examples in this Appendix are not all inclusive. They illustrate only the issue described and do not illustrate any other issues that may arise under this subpart. For purposes of the examples below, the term "loan" refers to a residential mortgage loan.

(a) *Taking a loan application.* The following examples illustrate when an employee takes, or does not take, a loan application.

(1) Taking an application includes: receiving information provided in connection with a request for a loan to be used to determine whether the consumer qualifies for a loan, even if the employee:

(i) Has received the consumer's information indirectly in order to make an offer or negotiate a loan;

(ii) Is not responsible for verifying information;

(iii) Is inputting information into an online application or other automated system on behalf of the consumer; or

(iv) Is not engaged in approval of the loan, including determining whether the consumer qualifies for the loan.

(2) Taking an application does not include any of the following activities performed solely or in combination:

(i) Contacting a consumer to verify the information in the loan application by obtaining documentation, such as tax returns or payroll receipts;

(ii) Receiving a loan application through the mail and forwarding it, without review, to loan approval personnel;

(iii) Assisting a consumer who is filling out an application by clarifying what type of information is necessary for the application or otherwise explaining the qualifications or criteria necessary to obtain a loan product;

(iv) Describing the steps that a consumer would need to take to provide information to be used to determine whether the consumer qualifies for a loan or otherwise explaining the loan application process;

(v) In response to an inquiry regarding a prequalified offer that a consumer has received from a bank, collecting only basic identifying information about the consumer and forwarding the consumer to a mortgage loan originator; or

(vi) Receiving information in connection with a modification to the terms of an existing loan to a borrower as part of the bank's loss mitigation efforts when the borrower is reasonably likely to default.

(b) *Offering or negotiating terms of a loan.* The following examples are designed to illustrate when an employee offers or negotiates terms of a loan, and conversely, what does not constitute offering or negotiating terms of a loan.

(1) Offering or negotiating the terms of a loan includes:

(i) Presenting a loan offer to a consumer for acceptance, either verbally or in writing, including, but not limited to, providing a disclosure of the loan terms after application under the Truth in Lending Act, even if:

(A) Further verification of information is necessary;

(B) The offer is conditional;

(C) Other individuals must complete the loan process; or

(D) Only the rate approved by the bank's loan approval mechanism function for a specific loan product is communicated without authority to negotiate the rate.

(ii) Responding to a consumer's request for a lower rate or lower points on a pending loan application by presenting to the consumer a revised loan offer, either verbally or in writing, that includes a lower interest rate or lower points than the original offer.

(2) Offering or negotiating terms of a loan does not include solely or in combination:

(i) Providing general explanations or descriptions in response to consumer queries regarding qualification for a specific loan product, such as explaining loan terminology (*i.e.*, debt-to-income ratio); lending policies (*i.e.*, the loan-to-value ratio policy of the bank); or product-related services;

(ii) In response to a consumer's request, informing a consumer of the loan rates that are publicly available, such as on the bank's Web site, for specific types of loan products without communicating to the consumer whether qualifications are met for that loan product;

(iii) Collecting information about a consumer in order to provide the consumer with information on loan products for which the consumer generally may qualify, without presenting a specific loan offer to the consumer for acceptance, either verbally or in writing;

(iv) Arranging the loan closing or other aspects of the loan process, including

communicating with a consumer about those arrangements, provided that communication with the consumer only verifies loan terms already offered or negotiated;

(v) Providing a consumer with information unrelated to loan terms, such as the best days of the month for scheduling loan closings at the bank;

(vi) Making an underwriting decision about whether the consumer qualifies for a loan;

(vii) Explaining or describing the steps or process that a consumer would need to take in order to obtain a loan offer, including qualifications or criteria that would need to be met without providing guidance specific to that consumer's circumstances; or

(viii) Communicating on behalf of a mortgage loan originator that a written offer, including disclosures provided pursuant to the Truth in Lending Act, has been sent to a consumer without providing any details of that offer.

(c) *Offering or negotiating a loan for compensation or gain.* The following examples illustrate when an employee does or does not offer or negotiate terms of a loan "for compensation or gain."

(1) Offering or negotiating terms of a loan for compensation or gain includes engaging in any of the activities in paragraph (b)(1) of this Appendix in the course of carrying out employment duties, even if the employee does not receive a referral fee or commission or other special compensation for the loan.

(2) Offering or negotiating terms of a loan for compensation or gain does not include engaging in a seller-financed transaction for the employee's personal property that does not involve the bank.

■ 4. Newly designated § 208.111 is amended by redesignating footnotes 7 and 8 as footnotes 8 and 9, respectively, and by revising newly designated footnote 9 to read as follows:

**§ 208.111 Obligations concerning institutional customers.**

\* \* \* \* \*

<sup>9</sup> See footnote 8 in paragraph (d) of this section.

**PART 211—INTERNATIONAL BANKING OPERATIONS (REGULATION K)**

■ 5. The authority citation for part 211 is revised to read as follows:

**Authority:** 12 U.S.C. 221 *et seq.*, 1818, 1835a, 1841 *et seq.*, 3101 *et seq.*, 3901 *et seq.*, and 5101 *et seq.*; 15 U.S.C. 1681s, 1681w, 6801 and 6805.

■ 6. Section 211.24 is amended by adding new paragraph (k) to read as follows:

**§ 211.24 Approval of offices of foreign banks; procedures for applications; standards for approval; representative office activities and standards for approval; preservation of existing authority.**

\* \* \* \* \*

(k) *Registration of residential mortgage loan originators.* An

uninsured State-licensed branch or agency of a foreign bank or commercial lending company owned or controlled by a foreign bank and any residential mortgage loan originator that it employs are subject to the requirements, including registration requirements, as applicable, of the Secure and Fair Enforcement for Mortgage Licensing Act (12 U.S.C. 5101 *et seq.*) and the Board's implementing regulation set forth in Regulation H at subpart I of part 208 of this chapter.

**Federal Deposit Insurance Corporation  
12 CFR Chapter III**

**Authority and Issuance**

■ For the reasons set forth in the preamble, the Federal Deposit Insurance Corporation amends part 365 of chapter III of title 12 of the Code of Federal Regulations as follows:

**PART 365—REAL ESTATE LENDING STANDARDS**

■ 1. The authority citation for part 365 is revised to read as follows:

**Authority:** 12 U.S.C. 1828(o) and 5101 *et seq.*

■ 2. Sections 365.1 and 365.2 and Appendix A are placed under a new subpart A, and the heading for new subpart A is added to read as follows:

**Subpart A—Real Estate Lending Standards**

■ 3. Section 365.1 is amended by removing "part" and adding "subpart" in its place.

■ 4. Appendix A to Part 365 is redesignated as Appendix A to Subpart A of Part 365, and the heading is revised to read as follows:

**Appendix A to Subpart A of Part 365—Interagency Guidelines for Real Estate Lending Policies**

■ 5. New subpart B is added to read as follows:

**Subpart B—Registration of Residential Mortgage Loan Originators**

Sec.

365.101 Authority, purpose, and scope.

365.102 Definitions.

365.103 Registration of mortgage loan originators.

365.104 Policies and procedures.

365.105 Use of unique identifier.

Appendix A to Subpart B of Part 365—

Examples of Mortgage Loan Originator Activities

## Subpart B—Registration of Residential Mortgage Loan Originators

### § 365.101 Authority, purpose, and scope.

(a) *Authority.* This subpart is issued pursuant to the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, title V of the Housing and Economic Recovery Act of 2008 (S.A.F.E. Act) (Pub. L. 110–289, 122 Stat. 2654, 12 U.S.C. 5101 *et seq.*).

(b) *Purpose.* This subpart implements the S.A.F.E. Act's Federal registration requirement for mortgage loan originators. The S.A.F.E. Act provides that the objectives of this registration include aggregating and improving the flow of information to and between regulators; providing increased accountability and tracking of mortgage loan originators; enhancing consumer protections; supporting anti-fraud measures; and providing consumers with easily accessible information at no charge regarding the employment history of, and publicly adjudicated disciplinary and enforcement actions against, mortgage loan originators.

(c) *Scope*—(1) *In general.* This subpart applies to insured State nonmember banks (including State-licensed insured branches of foreign banks), their subsidiaries (except brokers, dealers, persons providing insurance, investment companies, and investment advisers) (collectively referred to in this subpart as insured State nonmember banks), and employees of such banks or subsidiaries who act as mortgage loan originators.

(2) *De minimis exception.* (i) This subpart and the requirements of 12 U.S.C. 5103(a)(1)(A) and (2) of the S.A.F.E. Act do not apply to any employee of an insured State nonmember bank who has never been registered or licensed through the Registry as a mortgage loan originator if during the past 12 months the employee acted as a mortgage loan originator for 5 or fewer residential mortgage loans.

(ii) Prior to engaging in mortgage loan origination activity that exceeds the exception limit in paragraph (c)(2)(i) of this section, an insured State nonmember bank employee must register with the Registry pursuant to this subpart.

(iii) *Evasion.* Insured State nonmember banks are prohibited from engaging in any act or practice to evade the limits of the *de minimis* exception set forth in paragraph (c)(2)(i) of this section.

### § 365.102 Definitions.

For purposes of this subpart, the following definitions apply:

(a) *Annual renewal period* means November 1 through December 31 of each year.

(b)(1) *Mortgage loan originator*<sup>1</sup> means an individual who:

(i) Takes a residential mortgage loan application; and

(ii) Offers or negotiates terms of a residential mortgage loan for compensation or gain.

(2) The term *mortgage loan originator* does not include:

(i) An individual who performs purely administrative or clerical tasks on behalf of an individual who is described in paragraph (b)(1) of this section;

(ii) An individual who only performs real estate brokerage activities (as defined in 12 U.S.C. 5102(3)(D)) and is licensed or registered as a real estate broker in accordance with applicable State law, unless the individual is compensated by a lender, a mortgage broker, or other mortgage loan originator or by any agent of such lender, mortgage broker, or other mortgage loan originator, and meets the definition of mortgage loan originator in paragraph (b)(1) of this section; or

(iii) An individual or entity solely involved in extensions of credit related to timeshare plans, as that term is defined in 11 U.S.C. 101(53D).

(3) *Administrative or clerical tasks* means the receipt, collection, and distribution of information common for the processing or underwriting of a loan in the residential mortgage industry and communication with a consumer to obtain information necessary for the processing or underwriting of a residential mortgage loan.

(c) *Nationwide Mortgage Licensing System and Registry* or *Registry* means the system developed and maintained by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators for the State licensing and registration of State-licensed mortgage loan originators and the registration of mortgage loan originators pursuant to 12 U.S.C. 5107.

(d) *Registered mortgage loan originator* or *registrant* means any individual who:

(1) Meets the definition of mortgage loan originator and is an employee of an insured State nonmember bank; and

(2) Is registered pursuant to this subpart with, and maintains a unique identifier through, the Registry.

(e) *Residential mortgage loan* means any loan primarily for personal, family,

or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling (as defined in section 103(v) of the Truth in Lending Act, 15 U.S.C. 1602(v)) or residential real estate upon which is constructed or intended to be constructed a dwelling, and includes refinancings, reverse mortgages, home equity lines of credit and other first and additional lien loans that meet the qualifications listed in this definition.

(f) *Unique identifier* means a number or other identifier that:

(1) Permanently identifies a registered mortgage loan originator;

(2) Is assigned by protocols established by the Nationwide Mortgage Licensing System and Registry, the Federal banking agencies, and the Farm Credit Administration to facilitate:

(i) Electronic tracking of mortgage loan originators; and

(ii) Uniform identification of, and public access to, the employment history of and the publicly adjudicated disciplinary and enforcement actions against mortgage loan originators; and

(3) Must not be used for purposes other than those set forth under the S.A.F.E. Act.

### § 365.103 Registration of mortgage loan originators.

(a) *Registration requirement*—(1) *Employee registration.* Each employee of an insured State nonmember bank who acts as a mortgage loan originator must register with the Registry, obtain a unique identifier, and maintain this registration in accordance with the requirements of this subpart. Any such employee who is not in compliance with the registration and unique identifier requirements set forth in this subpart is in violation of the S.A.F.E. Act and this subpart.

(2) *Insured State nonmember bank requirement*—(i) *In general.* An insured State nonmember bank that employs one or more individuals who act as a residential mortgage loan originator must require each such employee to register with the Registry, maintain this registration, and obtain a unique identifier in accordance with the requirements of this subpart.

(ii) *Prohibition.* An insured State nonmember bank must not permit an employee of the bank who is subject to the registration requirements of this subpart to act as a mortgage loan originator for the bank unless such employee is registered with the Registry pursuant to this subpart.

(3) *Implementation period for initial registration.* An employee of an insured State nonmember bank who is a

<sup>1</sup> Appendix A of this subpart provides examples of activities that would, and would not, cause an employee to fall within this definition of mortgage loan originator.

mortgage loan originator must complete an initial registration with the Registry pursuant to this subpart within 180 days from the date that the FDIC provides in a public notice that the Registry is accepting registrations.

(4) *Employees previously registered or licensed through the Registry*—(i) *In general.* If an employee of an insured State nonmember bank was registered or licensed through, and obtained a unique identifier from, the Registry and has maintained this registration or license before the employee becomes subject to this subpart at this bank, then the registration requirements of the S.A.F.E. Act and this subpart are deemed to be met, provided that:

(A) The employment information in paragraphs (d)(1)(i)(C) and (d)(1)(ii) of this section is updated and the requirements of paragraph (d)(2) of this section are met;

(B) New fingerprints of the employee are submitted to the Registry for a background check, as required by paragraph (d)(1)(ix) of this section, unless the employee has fingerprints on file with the Registry that are less than 3 years old;

(C) The insured State nonmember bank information required in paragraphs (e)(1)(i) (to the extent the bank has not previously met these requirements) and (e)(2)(i) of this section is submitted to the Registry; and

(D) The registration is maintained pursuant to paragraphs (b) and (e)(1)(ii) of this section, as of the date that the employee becomes subject to this subpart.

(ii) *Rule for certain acquisitions, mergers, or reorganizations.* When registered or licensed mortgage loan originators become insured State nonmember bank employees as a result of an acquisition, merger, or reorganization, only the requirements of paragraphs (a)(4)(i)(A), (C), and (D) of this section must be met, and these requirements must be met within 60 days from the effective date of the acquisition, merger, or reorganization.

(b) *Maintaining registration.* (1) A mortgage loan originator who is registered with the Registry pursuant to paragraph (a) of this section must:

(i) Except as provided in paragraph (b)(3) of this section, renew the registration during the annual renewal period, confirming the responses set forth in paragraphs (d)(1)(i) through (viii) of this section remain accurate and complete, and updating this information, as appropriate; and

(ii) Update the registration within 30 days of any of the following events:

(A) A change in the name of the registrant;

(B) The registrant ceases to be an employee of the insured State nonmember bank; or

(C) The information required under paragraphs (d)(1)(iii) through (viii) of this section becomes inaccurate, incomplete, or out-of-date.

(2) A registered mortgage loan originator must maintain his or her registration, unless the individual is no longer engaged in the activity of a mortgage loan originator.

(3) The annual registration renewal requirement set forth in paragraph (b)(1) of this section does not apply to a registered mortgage loan originator who has completed his or her registration with the Registry pursuant to paragraph (a)(1) of this section less than 6 months prior to the end of the annual renewal period.

(c) *Effective dates*—(1) *Registration.* A registration pursuant to paragraph (a)(1) of this section is effective on the date the Registry transmits notification to the registrant that the registrant is registered.

(2) *Renewals or updates.* A renewal or update pursuant to paragraph (b) of this section is effective on the date the Registry transmits notification to the registrant that the registration has been renewed or updated.

(d) *Required employee information*—(1) *In general.* For purposes of the registration required by this section, an insured State nonmember bank must require each employee who is a mortgage loan originator to submit to the Registry, or must submit on behalf of the employee, the following categories of information to the extent this information is collected by the Registry:

(i) Identifying information, including the employee's:

(A) Name and any other names used;

(B) Home address and contact information;

(C) Principal business location address and business contact information;

(D) Social security number;

(E) Gender; and

(F) Date and place of birth;

(ii) Financial services-related employment history for the 10 years prior to the date of registration or renewal, including the date the employee became an employee of the bank;

(iii) Convictions of any criminal offense involving dishonesty, breach of trust, or money laundering against the employee or organizations controlled by the employee, or agreements to enter into a pretrial diversion or similar program in connection with the prosecution for such offense(s);

(iv) Civil judicial actions against the employee in connection with financial services-related activities, dismissals with settlements, or judicial findings that the employee violated financial services-related statutes or regulations, except for actions dismissed without a settlement agreement;

(v) Actions or orders by a State or Federal regulatory agency or foreign financial regulatory authority that:

(A) Found the employee to have made a false statement or omission or been dishonest, unfair or unethical; to have been involved in a violation of a financial services-related regulation or statute; or to have been a cause of a financial services-related business having its authorization to do business denied, suspended, revoked, or restricted;

(B) Are entered against the employee in connection with a financial services-related activity;

(C) Denied, suspended, or revoked the employee's registration or license to engage in a financial services-related activity; disciplined the employee or otherwise by order prevented the employee from associating with a financial services-related business or restricted the employee's activities; or

(D) Barred the employee from association with an entity or its officers regulated by the agency or authority or from engaging in a financial services-related business;

(vi) Final orders issued by a State or Federal regulatory agency or foreign financial regulatory authority based on violations of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct;

(vii) Revocation or suspension of the employee's authorization to act as an attorney, accountant, or State or Federal contractor;

(viii) Customer-initiated financial services-related arbitration or civil action against the employee that required action, including settlements, or which resulted in a judgment; and

(ix) Fingerprints of the employee, in digital form if practicable, and any appropriate identifying information for submission to the Federal Bureau of Investigation and any governmental agency or entity authorized to receive such information in connection with a State and national criminal history background check; however, fingerprints provided to the Registry that are less than 3 years old may be used to satisfy this requirement.

(2) *Employee authorizations and attestation.* An employee registering as a mortgage loan originator or renewing or updating his or her registration under this subpart, and not the employing

insured State nonmember bank or other employees of the insured State nonmember bank, must:

(i) Authorize the Registry 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;

(ii) Attest to the correctness of all information required by paragraph (d) of this section, whether submitted by the employee or on behalf of the employee by the employing bank; and

(iii) Authorize the Registry to make available to the public information required by paragraphs (d)(1)(i)(A) and (C), and (d)(1)(ii) through (viii) of this section.

(3) *Submission of information.* An insured State nonmember bank may identify one or more employees of the bank who may submit the information required by paragraph (d)(1) of this section to the Registry on behalf of the bank's employees provided that this individual, and any employee delegated such authority, does not act as a mortgage loan originator, consistent with paragraph (e)(1)(i)(F) of this section. In addition, an insured State nonmember bank may submit to the Registry some or all of the information required by paragraphs (d)(1) and (e)(2) of this section for multiple employees in bulk through batch processing in a format to be specified by the Registry, to the extent such batch processing is made available by the Registry.

(e) *Required bank information.* An insured State nonmember bank must submit the following categories of information to the Registry:

(1) *Bank record.* (i) In connection with the registration of one or more mortgage loan originators:

(A) Name, main office address, and business contact information;

(B) Internal Revenue Service Employer Tax Identification Number (EIN);

(C) Research Statistics Supervision and Discount (RSSD) number, as issued by the Board of Governors of the Federal Reserve System;

(D) Identification of its primary Federal regulator;

(E) Name(s) and contact information of the individual(s) with authority to act as the bank's primary point of contact for the Registry;

(F) Name(s) and contact information of the individual(s) with authority to enter the information required by paragraphs (d)(1) and (e) of this section to the Registry and who may delegate this authority to other individuals. For the purpose of providing information

required by paragraph (e) of this section, this individual and their delegates must not act as mortgage loan originators unless the bank has 10 or fewer full time or equivalent employees and is not a subsidiary; and

(G) If a subsidiary of an insured State nonmember bank, indication that it is a subsidiary and the RSSD number of the parent bank.

(ii) *Attestation.* The individual(s) identified in paragraphs (e)(1)(i)(E) and (F) of this section must comply with Registry protocols to verify their identity and must attest that they have the authority to enter data on behalf of the insured State nonmember bank, that the information provided to the Registry pursuant to this paragraph (e) is correct, and that the insured State nonmember bank will keep the information required by this paragraph (e) current and will file accurate supplementary information on a timely basis.

(iii) An insured State nonmember bank must update the information required by this paragraph (e) of this section within 30 days of the date that this information becomes inaccurate.

(iv) An insured State nonmember bank must renew the information required by paragraph (e) of this section on an annual basis.

(2) *Employee information.* In connection with the registration of each employee who acts as a mortgage loan originator:

(i) After the information required by paragraph (d) of this section has been submitted to the Registry, confirmation that it employs the registrant; and

(ii) Within 30 days of the date the registrant ceases to be an employee of the bank, notification that it no longer employs the registrant and the date the registrant ceased being an employee.

#### **§ 365.104 Policies and procedures.**

An insured State nonmember bank that employs one or more mortgage loan originators must adopt and follow written policies and procedures designed to assure compliance with this subpart. These policies and procedures must be appropriate to the nature, size, complexity, and scope of the mortgage lending activities of the bank, and apply only to those employees acting within the scope of their employment at the bank. At a minimum, these policies and procedures must:

(a) Establish a process for identifying which employees of the bank are required to be registered mortgage loan originators;

(b) Require that all employees of the insured State nonmember bank who are mortgage loan originators be informed of the registration requirements of the

S.A.F.E. Act and this subpart and be instructed on how to comply with such requirements and procedures;

(c) Establish procedures to comply with the unique identifier requirements in § 365.105;

(d) Establish reasonable procedures for confirming the adequacy and accuracy of employee registrations, including updates and renewals, by comparisons with its own records;

(e) Establish reasonable procedures and tracking systems for monitoring compliance with registration and renewal requirements and procedures;

(f) Provide for independent testing for compliance with this subpart to be conducted at least annually by bank personnel or by an outside party;

(g) Provide for appropriate action in the case of any employee who fails to comply with the registration requirements of the S.A.F.E. Act, this subpart, or the bank's related policies and procedures, including prohibiting such employees from acting as mortgage loan originators or other appropriate disciplinary actions;

(h) Establish a process for reviewing employee criminal history background reports received pursuant to this subpart, taking appropriate action consistent with applicable Federal law, including section 19 of the Federal Deposit Insurance Act (12 U.S.C. 1829) and implementing regulations with respect to these reports, and maintaining records of these reports and actions taken with respect to applicable employees; and

(i) Establish procedures designed to ensure that any third party with which the bank has arrangements related to mortgage loan origination has policies and procedures to comply with the S.A.F.E. Act, including appropriate licensing and/or registration of individuals acting as mortgage loan originators.

#### **§ 365.105 Use of unique identifier.**

(a) The insured State nonmember bank shall make the unique identifier(s) of its registered mortgage loan originator(s) available to consumers in a manner and method practicable to the institution.

(b) A registered mortgage loan originator shall provide his or her unique identifier to a consumer:

(1) Upon request;

(2) Before acting as a mortgage loan originator; and

(3) Through the originator's initial written communication with a consumer, if any, whether on paper or electronically.

### Appendix A to Subpart B of Part 365— Examples of Mortgage Loan Originator Activities

This Appendix provides examples to aid in the understanding of activities that would cause an employee of an insured State nonmember bank to fall within or outside the definition of mortgage loan originator. The examples in this Appendix are not all inclusive. They illustrate only the issue described and do not illustrate any other issues that may arise under this subpart. For purposes of the examples below, the term “loan” refers to a residential mortgage loan.

(a) *Taking a loan application.* The following examples illustrate when an employee takes, or does not take, a loan application.

(1) Taking an application includes: receiving information provided in connection with a request for a loan to be used to determine whether the consumer qualifies for a loan, even if the employee:

(i) Has received the consumer’s information indirectly in order to make an offer or negotiate a loan;

(ii) Is not responsible for verifying information;

(iii) Is inputting information into an online application or other automated system on behalf of the consumer; or

(iv) Is not engaged in approval of the loan, including determining whether the consumer qualifies for the loan.

(2) Taking an application does not include any of the following activities performed solely or in combination:

(i) Contacting a consumer to verify the information in the loan application by obtaining documentation, such as tax returns or payroll receipts;

(ii) Receiving a loan application through the mail and forwarding it, without review, to loan approval personnel;

(iii) Assisting a consumer who is filling out an application by clarifying what type of information is necessary for the application or otherwise explaining the qualifications or criteria necessary to obtain a loan product;

(iv) Describing the steps that a consumer would need to take to provide information to be used to determine whether the consumer qualifies for a loan or otherwise explaining the loan application process;

(v) In response to an inquiry regarding a prequalified offer that a consumer has received from a bank, collecting only basic identifying information about the consumer and forwarding the consumer to a mortgage loan originator; or

(vi) Receiving information in connection with a modification to the terms of an existing loan to a borrower as part of the bank’s loss mitigation efforts when the borrower is reasonably likely to default.

(b) *Offering or negotiating terms of a loan.* The following examples are designed to illustrate when an employee offers or negotiates terms of a loan, and conversely, what does not constitute offering or negotiating terms of a loan.

(1) Offering or negotiating the terms of a loan includes:

(i) Presenting a loan offer to a consumer for acceptance, either verbally or in writing,

including, but not limited to, providing a disclosure of the loan terms after application under the Truth in Lending Act, even if:

(A) Further verification of information is necessary;

(B) The offer is conditional;

(C) Other individuals must complete the loan process; or

(D) Only the rate approved by the bank’s loan approval mechanism function for a specific loan product is communicated without authority to negotiate the rate.

(ii) Responding to a consumer’s request for a lower rate or lower points on a pending loan application by presenting to the consumer a revised loan offer, either verbally or in writing, that includes a lower interest rate or lower points than the original offer.

(2) Offering or negotiating terms of a loan does not include solely or in combination:

(i) Providing general explanations or descriptions in response to consumer queries regarding qualification for a specific loan product, such as explaining loan terminology (*i.e.*, debt-to-income ratio); lending policies (*i.e.*, the loan-to-value ratio policy of the insured State nonmember bank); or product-related services;

(ii) In response to a consumer’s request, informing a consumer of the loan rates that are publicly available, such as on the insured State nonmember bank’s Web site, for specific types of loan products without communicating to the consumer whether qualifications are met for that loan product;

(iii) Collecting information about a consumer in order to provide the consumer with information on loan products for which the consumer generally may qualify, without presenting a specific loan offer to the consumer for acceptance, either verbally or in writing;

(iv) Arranging the loan closing or other aspects of the loan process, including communicating with a consumer about those arrangements, provided that communication with the consumer only verifies loan terms already offered or negotiated;

(v) Providing a consumer with information unrelated to loan terms, such as the best days of the month for scheduling loan closings at the bank;

(vi) Making an underwriting decision about whether the consumer qualifies for a loan;

(vii) Explaining or describing the steps or process that a consumer would need to take in order to obtain a loan offer, including qualifications or criteria that would need to be met without providing guidance specific to that consumer’s circumstances; or

(viii) Communicating on behalf of a mortgage loan originator that a written offer, including disclosures provided pursuant to the Truth in Lending Act, has been sent to a consumer without providing any details of that offer.

(c) *Offering or negotiating a loan for compensation or gain.* The following examples illustrate when an employee does or does not offer or negotiate terms of a loan “for compensation or gain.”

(1) Offering or negotiating terms of a loan for compensation or gain includes engaging in any of the activities in paragraph (b)(1) of this Appendix in the course of carrying out employment duties, even if the employee

does not receive a referral fee or commission or other special compensation for the loan.

(2) Offering or negotiating terms of a loan for compensation or gain does not include engaging in a seller-financed transaction for the employee’s personal property that does not involve the insured State nonmember bank.

### Office of Thrift Supervision

#### 12 CFR Chapter V

#### Authority and Issuance

■ For the reasons set forth in the preamble, chapter V of title 12 of the Code of Federal Regulations is amended as follows:

#### PART 563—SAVINGS ASSOCIATIONS—OPERATIONS

■ 1. The authority citation for part 563 is revised to read as follows:

**Authority:** 12 U.S.C. 375b, 1462, 1462a, 1463, 1464, 1467a, 1468, 1817, 1820, 1828, 1831o, 3806, 5101 *et seq.*; 31 U.S.C. 5318; 42 U.S.C. 4106.

■ 3. Add Subpart D to part 563 to read as follows:

#### Subpart D—Registration of Residential Mortgage Loan Originators

Sec.

563.101 Authority, purpose, and scope.

563.102 Definitions.

563.103 Registration of mortgage loan originators.

563.104 Policies and procedures.

563.105 Use of unique identifier.

Appendix A to Subpart D of Part 563—  
Examples of Mortgage Loan Originator  
Activities

#### Subpart D—Registration of Residential Mortgage Loan Originators

##### § 563.101 Authority, purpose, and scope.

(a) *Authority.* This subpart is issued pursuant to the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, title V of the Housing and Economic Recovery Act of 2008 (S.A.F.E. Act) (Pub. L. 110–289, 122 Stat. 2654, 12 U.S.C. 5101 *et seq.*).

(b) *Purpose.* This subpart implements the S.A.F.E. Act’s Federal registration requirement for mortgage loan originators. The S.A.F.E. Act provides that the objectives of this registration include aggregating and improving the flow of information to and between regulators; providing increased accountability and tracking of mortgage loan originators; enhancing consumer protections; supporting anti-fraud measures; and providing consumers with easily accessible information at no charge regarding the employment history of, and publicly adjudicated disciplinary and enforcement actions against, mortgage loan originators.



(c) *Scope*—(1) *In general*. This subpart applies to savings associations, their operating subsidiaries (collectively referred to in this subpart as savings associations), and their employees who act as mortgage loan originators.

(2) *De minimis exception*. (i) This subpart and the requirements of 12 U.S.C. 5103(a)(1)(A) and (2) of the S.A.F.E. Act do not apply to any employee of a savings association who has never been registered or licensed through the Registry as a mortgage loan originator if during the past 12 months the employee acted as a mortgage loan originator for 5 or fewer residential mortgage loans.

(ii) Prior to engaging in mortgage loan origination activity that exceeds the exception limit in paragraph (c)(2)(i) of this section, a savings association employee must register with the Registry pursuant to this subpart.

(iii) *Evasion*. Savings associations are prohibited from engaging in any act or practice to evade the limits of the *de minimis* exception set forth in paragraph (c)(2)(i) of this section.

#### **§ 563.102 Definitions.**

For purposes of this subpart D, the following definitions apply:

(a) *Annual renewal period* means November 1 through December 31 of each year.

(b)(1) *Mortgage loan originator*<sup>1</sup> means an individual who:

(i) Takes a residential mortgage loan application; and

(ii) Offers or negotiates terms of a residential mortgage loan for compensation or gain.

(2) The term *mortgage loan originator* does not include:

(i) An individual who performs purely administrative or clerical tasks on behalf of an individual who is described in paragraph (b)(1) of this section;

(ii) An individual who only performs real estate brokerage activities (as defined in 12 U.S.C. 5102(3)(D)) and is licensed or registered as a real estate broker in accordance with applicable State law, unless the individual is compensated by a lender, a mortgage broker, or other mortgage loan originator or by any agent of such lender, mortgage broker, or other mortgage loan originator, and meets the definition of mortgage loan originator in paragraph (b)(1) of this section; or

(iii) An individual or entity solely involved in extensions of credit related

to timeshare plans, as that term is defined in 11 U.S.C. 101(53D).

(3) *Administrative or clerical tasks* means the receipt, collection, and distribution of information common for the processing or underwriting of a loan in the residential mortgage industry and communication with a consumer to obtain information necessary for the processing or underwriting of a residential mortgage loan.

(c) *Nationwide Mortgage Licensing System and Registry or Registry* means the system developed and maintained by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators for the State licensing and registration of State-licensed mortgage loan originators and the registration of mortgage loan originators pursuant to 12 U.S.C. 5107.

(d) *Registered mortgage loan originator or registrant* means any individual who:

(1) Meets the definition of mortgage loan originator and is an employee of a savings association; and

(2) Is registered pursuant to this subpart with, and maintains a unique identifier through, the Registry.

(e) *Residential mortgage loan* means any loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling (as defined in section 103(v) of the Truth in Lending Act, 15 U.S.C. 1602(v)) or residential real estate upon which is constructed or intended to be constructed a dwelling, and includes refinancings, reverse mortgages, home equity lines of credit and other first and additional lien loans that meet the qualifications listed in this definition.

(f) *Unique identifier* means a number or other identifier that:

(1) Permanently identifies a registered mortgage loan originator;

(2) Is assigned by protocols established by the Nationwide Mortgage Licensing System and Registry, the Federal banking agencies, and the Farm Credit Administration to facilitate:

(i) Electronic tracking of mortgage loan originators; and

(ii) Uniform identification of, and public access to, the employment history of and the publicly adjudicated disciplinary and enforcement actions against mortgage loan originators; and

(3) Must not be used for purposes other than those set forth under the S.A.F.E. Act.

#### **§ 563.103 Registration of mortgage loan originators.**

(a) *Registration requirement*—(1) *Employee registration*. Each employee of

a savings association who acts as a mortgage loan originator must register with the Registry, obtain a unique identifier, and maintain this registration in accordance with the requirements of this subpart. Any such employee who is not in compliance with the registration and unique identifier requirements set forth in this subpart is in violation of the S.A.F.E. Act and this subpart.

(2) *Savings association requirement*—(i) *In general*. A savings association that employs one or more individuals who act as a residential mortgage loan originator must require each such employee to register with the Registry, maintain this registration, and obtain a unique identifier in accordance with the requirements of this subpart.

(ii) *Prohibition*. A savings association must not permit an employee of the association who is subject to the registration requirements of this subpart to act as a mortgage loan originator for the association unless such employee is registered with the Registry pursuant to this subpart.

(3) *Implementation period for initial registration*. An employee of a savings association who is a mortgage loan originator must complete an initial registration with the Registry pursuant to this subpart within 180 days from the date that the OTS provides in a public notice that the Registry is accepting registrations.

(4) *Employees previously registered or licensed through the Registry*—(i) *In general*. If an employee of a savings association was registered or licensed through, and obtained a unique identifier from, the Registry and has maintained this registration or license before the employee of the association becomes subject to this subpart at this association, then the registration requirements of the S.A.F.E. Act and this subpart are deemed to be met, provided that:

(A) The employment information in paragraphs (d)(1)(i)(C) and (d)(1)(ii) of this section is updated and the requirements of paragraph (d)(2) of this section are met;

(B) New fingerprints of the employee are submitted to the Registry for a background check, as required by paragraph (d)(1)(ix) of this section, unless the employee has fingerprints on file with the Registry that are less than 3 years old;

(C) The savings association information required in paragraphs (e)(1)(i) (to the extent the association has not previously met these requirements) and (e)(2)(i) of this section is submitted to the Registry; and

(D) The registration is maintained pursuant to paragraphs (b) and (e)(1)(ii)

<sup>1</sup> Appendix A of this subpart provides examples of activities that would, and would not, cause an employee to fall within this definition of mortgage loan originator.



of this section, as of the date that the employee becomes subject to this subpart.

(ii) *Rule for certain acquisitions, mergers, or reorganizations.* When registered or licensed mortgage loan originators become savings association employees as a result of an acquisition, merger, or reorganization, only the requirements of paragraphs (a)(4)(i)(A), (C), and (D) of this section must be met, and these requirements must be met within 60 days from the effective date of the acquisition, merger, or reorganization.

(b) *Maintaining registration.* (1) A mortgage loan originator who is registered with the Registry pursuant to paragraph (a) of this section must:

(i) Except as provided in paragraph (b)(3) of this section, renew the registration during the annual renewal period, confirming the responses set forth in paragraphs (d)(1)(i) through (viii) of this section remain accurate and complete, and updating this information, as appropriate; and

(ii) Update the registration within 30 days of any of the following events:

(A) A change in the name of the registrant;

(B) The registrant ceases to be an employee of the savings association; or

(C) The information required under paragraphs (d)(1)(iii) through (viii) of this section becomes inaccurate, incomplete, or out-of-date.

(2) A registered mortgage loan originator must maintain his or her registration, unless the individual is no longer engaged in the activity of a mortgage loan originator.

(3) The annual registration renewal requirement set forth in paragraph (b)(1) of this section does not apply to a registered mortgage loan originator who has completed his or her registration with the Registry pursuant to paragraph (a)(1) of this section less than 6 months prior to the end of the annual renewal period.

(c) *Effective dates—(1) Registration.* A registration pursuant to paragraph (a)(1) of this section is effective on the date the Registry transmits notification to the registrant that the registrant is registered.

(2) *Renewals or updates.* A renewal or update pursuant to paragraph (b) of this section is effective on the date the Registry transmits notification to the registrant that the registration has been renewed or updated.

(d) *Required employee information—(1) In general.* For purposes of the registration required by this section, a savings association must require each employee who is a mortgage loan originator to submit to the Registry, or

must submit on behalf of the employee, the following categories of information, to the extent this information is collected by the Registry:

(i) Identifying information, including the employee's:

(A) Name and any other names used;

(B) Home address and contact information;

(C) Principal business location address and business contact information;

(D) Social security number;

(E) Gender; and

(F) Date and place of birth;

(ii) Financial services-related employment history for the 10 years prior to the date of registration or renewal, including the date the employee became an employee of the savings association;

(iii) Convictions of any criminal offense involving dishonesty, breach of trust, or money laundering against the employee or organizations controlled by the employee, or agreements to enter into a pretrial diversion or similar program in connection with the prosecution for such offense(s);

(iv) Civil judicial actions against the employee in connection with financial services-related activities, dismissals with settlements, or judicial findings that the employee violated financial services-related statutes or regulations, except for actions dismissed without a settlement agreement;

(v) Actions or orders by a State or Federal regulatory agency or foreign financial regulatory authority that:

(A) Found the employee to have made a false statement or omission or been dishonest, unfair or unethical; to have been involved in a violation of a financial services-related regulation or statute; or to have been a cause of a financial services-related business having its authorization to do business denied, suspended, revoked, or restricted;

(B) Are entered against the employee in connection with a financial services-related activity;

(C) Denied, suspended, or revoked the employee's registration or license to engage in a financial services-related activity; disciplined the employee or otherwise by order prevented the employee from associating with a financial services-related business or restricted the employee's activities; or

(D) Barred the employee from association with an entity or its officers regulated by the agency or authority or from engaging in a financial services-related business;

(vi) Final orders issued by a State or Federal regulatory agency or foreign financial regulatory authority based on

violations of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct;

(vii) Revocation or suspension of the employee's authorization to act as an attorney, accountant, or State or Federal contractor;

(viii) Customer-initiated financial services-related arbitration or civil action against the employee that required action, including settlements, or which resulted in a judgment; and

(ix) Fingerprints of the employee, in digital form if practicable, and any appropriate identifying information for submission to the Federal Bureau of Investigation and any governmental agency or entity authorized to receive such information in connection with a State and national criminal history background check; however, fingerprints provided to the Registry that are less than 3 years old may be used to satisfy this requirement.

(2) *Employee authorizations and attestation.* An employee registering as a mortgage loan originator or renewing or updating his or her registration under this subpart, and not the employing savings association or other employees of the savings association, must:

(i) Authorize the Registry 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;

(ii) Attest to the correctness of all information required by paragraph (d) of this section, whether submitted by the employee or on behalf of the employee by the employing savings association; and

(iii) Authorize the Registry to make available to the public information required by paragraphs (d)(1)(i)(A) and (C), and (d)(1)(ii) through (viii) of this section.

(3) *Submission of information.* A savings association may identify one or more employees of the association who may submit the information required by paragraph (d)(1) of this section to the Registry on behalf of the association's employees provided that this individual, and any employee delegated such authority, does not act as a mortgage loan originator, consistent with paragraph (e)(1)(i)(F) of this section. In addition, a savings association may submit to the Registry some or all of the information required by paragraphs (d)(1) and (e)(2) of this section for multiple employees in bulk through batch processing in a format to be specified by the Registry, to the extent such batch processing is made available by the Registry.

(e) *Required savings association information.* A savings association must submit the following categories of information to the Registry:

(1) *Savings association record.* (i) In connection with the registration of one or more mortgage loan originators:

(A) Name, main office address, and business contact information;

(B) Internal Revenue Service Employer Tax Identification Number (EIN);

(C) Research Statistics Supervision and Discount (RSSD) number, as issued by the Board of Governors of the Federal Reserve System;

(D) Identification of its primary Federal regulator;

(E) Name(s) and contact information of the individual(s) with authority to act as the savings association's primary point of contact for the Registry;

(F) Name(s) and contact information of the individual(s) with authority to enter the information required by paragraphs (d)(1) and (e) of this section to the Registry and who may delegate this authority to other individuals. For the purpose of providing information required by paragraph (e) of this section, this individual and their delegates must not act as mortgage loan originators unless the savings association has 10 or fewer full time or equivalent employees and is not a subsidiary; and

(G) If a subsidiary of a savings association, indication that it is a subsidiary and the RSSD number of the parent association.

(ii) *Attestation.* The individual(s) identified in paragraphs (e)(1)(i)(E) and (F) of this section must comply with Registry protocols to verify their identity and must attest that they have the authority to enter data on behalf of the savings association, that the information provided to the Registry pursuant to this paragraph (e) is correct, and that the savings association will keep the information required by this paragraph (e) current and will file accurate supplementary information on a timely basis.

(iii) A savings association must update the information required by this paragraph (e) of this section within 30 days of the date that this information becomes inaccurate.

(iv) A savings association must renew the information required by paragraph (e) of this section on an annual basis.

(2) *Employee information.* In connection with the registration of each employee who acts as a mortgage loan originator:

(i) After the information required by paragraph (d) of this section has been submitted to the Registry, confirmation that it employs the registrant; and

(ii) Within 30 days of the date the registrant ceases to be an employee of the savings association, notification that it no longer employs the registrant and the date the registrant ceased being an employee.

#### **§ 563.104 Policies and procedures.**

A savings association that employs one or more mortgage loan originators must adopt and follow written policies and procedures designed to assure compliance with this subpart. These policies and procedures must be appropriate to the nature, size, complexity, and scope of the mortgage lending activities of the savings association, and apply only to those employees acting within the scope of their employment at the association. At a minimum, these policies and procedures must:

(a) Establish a process for identifying which employees of the savings association are required to be registered mortgage loan originators;

(b) Require that all employees of the savings association who are mortgage loan originators be informed of the registration requirements of the S.A.F.E. Act and this subpart and be instructed on how to comply with such requirements and procedures;

(c) Establish procedures to comply with the unique identifier requirements in § 563.105;

(d) Establish reasonable procedures for confirming the adequacy and accuracy of employee registrations, including updates and renewals, by comparisons with its own records;

(e) Establish reasonable procedures and tracking systems for monitoring compliance with registration and renewal requirements and procedures;

(f) Provide for independent testing for compliance with this subpart to be conducted at least annually by savings association personnel or by an outside party;

(g) Provide for appropriate action in the case of any employee who fails to comply with the registration requirements of the S.A.F.E. Act, this subpart, or the savings association's related policies and procedures, including prohibiting such employees from acting as mortgage loan originators or other appropriate disciplinary actions;

(h) Establish a process for reviewing employee criminal history background reports received pursuant to this subpart, taking appropriate action consistent with applicable Federal law, including section 19 of the Federal Deposit Insurance Act (12 U.S.C. 1829) and implementing regulations with respect to these reports, and

maintaining records of these reports and actions taken with respect to applicable employees; and

(i) Establish procedures designed to ensure that any third party with which the savings association has arrangements related to mortgage loan origination has policies and procedures to comply with the S.A.F.E. Act, including appropriate licensing and/or registration of individuals acting as mortgage loan originators.

#### **§ 563.105 Use of unique identifier.**

(a) The savings association shall make the unique identifier(s) of its registered mortgage loan originator(s) available to consumers in a manner and method practicable to the institution.

(b) A registered mortgage loan originator shall provide his or her unique identifier to a consumer:

(1) Upon request;

(2) Before acting as a mortgage loan originator; and

(3) Through the originator's initial written communication with a consumer, if any, whether on paper or electronically.

#### **Appendix A to Subpart D of Part 563—Examples of Mortgage Loan Originator Activities**

This Appendix provides examples to aid in the understanding of activities that would cause an employee of a savings association to fall within or outside the definition of mortgage loan originator. The examples in this Appendix are not all inclusive. They illustrate only the issue described and do not illustrate any other issues that may arise under this subpart. For purposes of the examples below, the term "loan" refers to a residential mortgage loan.

(a) *Taking a loan application.* The following examples illustrate when an employee takes, or does not take, a loan application.

(1) Taking an application includes: receiving information provided in connection with a request for a loan to be used to determine whether the consumer qualifies for a loan, even if the employee:

(i) Has received the consumer's information indirectly in order to make an offer or negotiate a loan;

(ii) Is not responsible for verifying information;

(iii) Is inputting information into an online application or other automated system on behalf of the consumer; or

(iv) Is not engaged in approval of the loan, including determining whether the consumer qualifies for the loan.

(2) Taking an application does not include any of the following activities performed solely or in combination:

(i) Contacting a consumer to verify the information in the loan application by obtaining documentation, such as tax returns or payroll receipts;

(ii) Receiving a loan application through the mail and forwarding it, without review, to loan approval personnel;

(iii) Assisting a consumer who is filling out an application by clarifying what type of information is necessary for the application or otherwise explaining the qualifications or criteria necessary to obtain a loan product;

(iv) Describing the steps that a consumer would need to take to provide information to be used to determine whether the consumer qualifies for a loan or otherwise explaining the loan application process;

(v) In response to an inquiry regarding a prequalified offer that a consumer has received from a savings association, collecting only basic identifying information about the consumer and forwarding the consumer to a mortgage loan originator; or

(vi) Receiving information in connection with a modification to the terms of an existing loan to a borrower as part of the savings association's loss mitigation efforts when the borrower is reasonably likely to default.

(b) *Offering or negotiating terms of a loan.* The following examples are designed to illustrate when an employee offers or negotiates terms of a loan, and conversely, what does not constitute offering or negotiating terms of a loan.

(1) Offering or negotiating the terms of a loan includes:

(i) Presenting a loan offer to a consumer for acceptance, either verbally or in writing, including, but not limited to, providing a disclosure of the loan terms after application under the Truth in Lending Act, even if:

(A) Further verification of information is necessary;

(B) The offer is conditional;

(C) Other individuals must complete the loan process; or

(D) Only the rate approved by the savings association's loan approval mechanism function for a specific loan product is communicated without authority to negotiate the rate.

(ii) Responding to a consumer's request for a lower rate or lower points on a pending loan application by presenting to the consumer a revised loan offer, either verbally or in writing, that includes a lower interest rate or lower points than the original offer.

(2) Offering or negotiating terms of a loan does not include solely or in combination:

(i) Providing general explanations or descriptions in response to consumer queries regarding qualification for a specific loan product, such as explaining loan terminology (*i.e.*, debt-to-income ratio); lending policies (*i.e.*, the loan-to-value ratio policy of the savings association); or product-related services;

(ii) In response to a consumer's request, informing a consumer of the loan rates that are publicly available, such as on the savings association's Web site, for specific types of loan products without communicating to the consumer whether qualifications are met for that loan product;

(iii) Collecting information about a consumer in order to provide the consumer with information on loan products for which the consumer generally may qualify, without presenting a specific loan offer to the consumer for acceptance, either verbally or in writing;

(iv) Arranging the loan closing or other aspects of the loan process, including

communicating with a consumer about those arrangements, provided that communication with the consumer only verifies loan terms already offered or negotiated;

(v) Providing a consumer with information unrelated to loan terms, such as the best days of the month for scheduling loan closings at the savings association;

(vi) Making an underwriting decision about whether the consumer qualifies for a loan;

(vii) Explaining or describing the steps or process that a consumer would need to take in order to obtain a loan offer, including qualifications or criteria that would need to be met without providing guidance specific to that consumer's circumstances; or

(viii) Communicating on behalf of a mortgage loan originator that a written offer, including disclosures provided pursuant to the Truth in Lending Act, has been sent to a consumer without providing any details of that offer.

(c) *Offering or negotiating a loan for compensation or gain.* The following examples illustrate when an employee does or does not offer or negotiate terms of a loan "for compensation or gain."

(1) Offering or negotiating terms of a loan for compensation or gain includes engaging in any of the activities in paragraph (b)(1) of this Appendix in the course of carrying out employment duties, even if the employee does not receive a referral fee or commission or other special compensation for the loan.

(2) Offering or negotiating terms of a loan for compensation or gain does not include engaging in a seller-financed transaction for the employee's personal property that does not involve the savings association.

## Farm Credit Administration

### 12 CFR Chapter VI

#### Authority and Issuance

■ For the reasons set forth in the preamble, chapter VI of title 12 of the Code of Federal Regulations is amended by adding a new part 610 to read as follows:

#### PART 610—REGISTRATION OF MORTGAGE LOAN ORIGINATORS

Sec.

610.101 Authority, purpose, and scope.

610.102 Definitions.

610.103 Registration of mortgage loan originators.

610.104 Policies and procedures.

610.105 Use of unique identifier.

Appendix A to Part 610—Examples of Mortgage Loan Originator Activities

**Authority:** Secs. 1.5, 1.7, 1.9, 1.10, 1.11, 1.13, 2.2, 2.4, 2.12, 5.9, 5.17, 7.2, 7.6, 7.8 of the Farm Credit Act (12 U.S.C. 2013, 2015, 2017, 2018, 2019, 2021, 2073, 2075, 2093, 2243, 2252, 2279a–2, 2279b, 2279c–10); and secs. 1501 *et seq.* of Pub. L. 110–289, 122 Stat. 2654.

#### § 610.101 Authority, purpose, and scope.

(a) *Authority.* This part is issued pursuant to the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, title V of the Housing and

Economic Recovery Act of 2008 (S.A.F.E. Act) (Pub. L. 110–289, 122 Stat. 2654, 12 U.S.C. 5101 *et seq.*).

(b) *Purpose.* This part implements the S.A.F.E. Act's Federal registration requirement for mortgage loan originators. The S.A.F.E. Act provides that the objectives of this registration include aggregating and improving the flow of information to and between regulators; providing increased accountability and tracking of mortgage loan originators; enhancing consumer protections; supporting anti-fraud measures; and providing consumers with easily accessible information at no charge regarding the employment history of, and publicly adjudicated disciplinary and enforcement actions against, mortgage loan originators.

(c) *Scope*—(1) *In general.* This part applies to any Farm Credit System lending institution that actually originates residential mortgage loans pursuant to its authority under sections 1.9(3), 1.11, or 2.4(a) and (b) of the Farm Credit Act of 1971, as amended, and their employees who act as mortgage loan originators.

(2) *De minimis exception.*

(i) This part and the requirements of 12 U.S.C. 5103(a)(1)(A) and (2) of the S.A.F.E. Act do not apply to any employee of a Farm Credit System institution who has never been registered or licensed through the Registry as a mortgage loan originator if during the past 12 months the employee acted as a mortgage loan originator for 5 or fewer residential mortgage loans.

(ii) Prior to engaging in mortgage loan origination activity that exceeds the exception limit in paragraph (c)(2)(i) of this section, a Farm Credit System institution employee must register with the Registry pursuant to this part.

(iii) *Evasion.* Farm Credit System institutions are prohibited from engaging in any act or practice to evade the limits of the *de minimis* exception set forth in paragraph (c)(2)(i) of this section.

#### § 610.102 Definitions.

For purposes of this part, the following definitions apply:

(a) *Annual renewal period* means November 1 through December 31 of each year.

(b)(1) *Mortgage loan originator*<sup>1</sup> means an individual who:

(i) Takes a residential mortgage loan application; and

<sup>1</sup> Appendix A of this part provides examples of activities that would, and would not, cause an employee to fall within this definition of mortgage loan originator.

(ii) Offers or negotiates terms of a residential mortgage loan for compensation or gain.

(2) The term *mortgage loan originator* does not include:

(i) An individual who performs purely administrative or clerical tasks on behalf of an individual who is described in paragraph (b)(1) of this section;

(ii) An individual who only performs real estate brokerage activities (as defined in 12 U.S.C. 5102(3)(D)) and is licensed or registered as a real estate broker in accordance with applicable State law, unless the individual is compensated by a lender, a mortgage broker, or other mortgage loan originator or by any agent of such lender, mortgage broker, or other mortgage loan originator, and meets the definition of mortgage loan originator in paragraph (b)(1) of this section; or

(iii) An individual or entity solely involved in extensions of credit related to timeshare plans, as that term is defined in 11 U.S.C. 101(53D).

(3) *Administrative or clerical tasks* means the receipt, collection, and distribution of information common for the processing or underwriting of a loan in the residential mortgage industry and communication with a consumer to obtain information necessary for the processing or underwriting of a residential mortgage loan.

(c) *Nationwide Mortgage Licensing System and Registry* or *Registry* means the system developed and maintained by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators for the State licensing and registration of State-licensed mortgage loan originators and the registration of mortgage loan originators pursuant to 12 U.S.C. 5107.

(d) *Registered mortgage loan originator* or *registrant* means any individual who:

(1) Meets the definition of mortgage loan originator and is an employee of a Farm Credit System institution; and

(2) Is registered pursuant to this part with, and maintains a unique identifier through, the Registry.

(e) *Residential mortgage loan* means any loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling (as defined in section 103(v) of the Truth in Lending Act, 15 U.S.C. 1602(v)) or residential real estate upon which is constructed or intended to be constructed a dwelling, and includes refinancings, reverse mortgages, home equity lines of credit and other first and additional lien loans

that meet the qualifications listed in this definition. This definition does not amend or supersede § 613.3030(c) of this chapter.

(f) *Unique identifier* means a number or other identifier that:

(1) Permanently identifies a registered mortgage loan originator;

(2) Is assigned by protocols established by the Nationwide Mortgage Licensing System and Registry, the Federal banking agencies, and the Farm Credit Administration to facilitate:

(i) Electronic tracking of mortgage loan originators; and

(ii) Uniform identification of, and public access to, the employment history of and the publicly adjudicated disciplinary and enforcement actions against mortgage loan originators; and

(3) Must not be used for purposes other than those set forth under the S.A.F.E. Act.

#### **§ 610.103 Registration of mortgage loan originators.**

(a) *Registration requirement*—(1) *Employee registration.* Each employee of a Farm Credit System institution who acts as a mortgage loan originator must register with the Registry, obtain a unique identifier, and maintain this registration in accordance with the requirements of this part. Any such employee who is not in compliance with the registration and unique identifier requirements set forth in this part is in violation of the S.A.F.E. Act and this part.

(2) *Farm Credit System institution requirement*—(i) *In general.* A Farm Credit System institution that employs one or more individuals who act as a residential mortgage loan originator must require each such employee to register with the Registry, maintain this registration, and obtain a unique identifier in accordance with the requirements of this part.

(ii) *Prohibition.* A Farm Credit System institution must not permit an employee who is subject to the registration requirements of this part to act as a mortgage loan originator for the Farm Credit System institution unless such employee is registered with the Registry pursuant to this part.

(3) *Implementation period for initial registration.* An employee of a Farm Credit System institution who is a mortgage loan originator must complete an initial registration with the Registry pursuant to this part within 180 days from the date that the Farm Credit Administration provides in a public notice that the Registry is accepting registrations.

(4) *Employees previously registered or licensed through the Registry*—(i) *In*

*general.* If an employee of a Farm Credit System institution was registered or licensed through, and obtained a unique identifier from, the Registry and has maintained this registration or license before the employee becomes subject to this part at this Farm Credit System institution, then the registration requirements of the S.A.F.E. Act and this part are deemed to be met, provided that:

(A) The employment information in paragraphs (d)(1)(i)(C) and (d)(1)(ii) of this section is updated and the requirements of paragraph (d)(2) of this section are met;

(B) New fingerprints of the employee are submitted to the Registry for a background check, as required by paragraph (d)(1)(ix) of this section, unless the employee has fingerprints on file with the Registry that are less than 3 years old;

(C) The Farm Credit System institution information required in paragraphs (e)(1)(i) (to the extent the Farm Credit System institution has not previously met these requirements) and (e)(2)(i) of this section is submitted to the Registry; and

(D) The registration is maintained pursuant to paragraphs (b) and (e)(1)(ii) of this section, as of the date that the employee becomes subject to this part.

(ii) *Rule for certain acquisitions, mergers, or reorganizations.* When registered or licensed mortgage loan originators become employees of another Farm Credit System institution as a result of a consolidation, merger, or reorganization, only the requirements of paragraphs (a)(4)(i)(A), (C), and (D) of this section must be met, and these requirements must be met within 60 days from the effective date of the consolidation, merger, or reorganization.

(b) *Maintaining registration.*

(1) A mortgage loan originator who is registered with the Registry pursuant to paragraph (a) of this section must:

(i) Except as provided in paragraph (b)(3) of this section, renew the registration during the annual renewal period, confirming the responses set forth in paragraphs (d)(1)(i) through (viii) of this section remain accurate and complete, and updating this information, as appropriate; and

(ii) Update the registration within 30 days of any of the following events:

(A) A change in the name of the registrant;

(B) The registrant ceases to be an employee of the Farm Credit System institution; or

(C) The information required under paragraphs (d)(1)(iii) through (viii) of this section becomes inaccurate, incomplete, or out-of-date.

(2) A registered mortgage loan originator must maintain his or her registration, unless the individual is no longer engaged in the activity of a mortgage loan originator.

(3) The annual registration renewal requirement set forth in paragraph (b)(1) of this section does not apply to a registered mortgage loan originator who has completed his or her registration with the Registry pursuant to paragraph (a)(1) of this section less than 6 months prior to the end of the annual renewal period.

(c) *Effective dates*—(1) *Registration*. A registration pursuant to paragraph (a)(1) of this section is effective on the date the Registry transmits notification to the registrant that the registrant is registered.

(2) *Renewals or updates*. A renewal or update pursuant to paragraph (b) of this section is effective on the date the Registry transmits notification to the registrant that the registration has been renewed or updated.

(d) *Required employee information*—(1) *In general*. For purposes of the registration required by this section, a Farm Credit System institution must require each employee who is a mortgage loan originator to submit to the Registry, or must submit on behalf of the employee, the following categories of information, to the extent this information is collected by the Registry:

(i) Identifying information, including the employee's:

(A) Name and any other names used;

(B) Home address and contact information;

(C) Principal business location address and business contact information;

(D) Social security number;

(E) Gender; and

(F) Date and place of birth;

(ii) Financial services-related employment history for the 10 years prior to the date of registration or renewal, including the date the employee became an employee of the Farm Credit System institution;

(iii) Convictions of any criminal offense involving dishonesty, breach of trust, or money laundering against the employee or organizations controlled by the employee, or agreements to enter into a pretrial diversion or similar program in connection with the prosecution for such offense(s);

(iv) Civil judicial actions against the employee in connection with financial services-related activities, dismissals with settlements, or judicial findings that the employee violated financial services-related statutes or regulations,

except for actions dismissed without a settlement agreement;

(v) Actions or orders by a State or Federal regulatory agency or foreign financial regulatory authority that:

(A) Found the employee to have made a false statement or omission or been dishonest, unfair or unethical; to have been involved in a violation of a financial services-related regulation or statute; or to have been a cause of a financial services-related business having its authorization to do business denied, suspended, revoked, or restricted;

(B) Are entered against the employee in connection with a financial services-related activity;

(C) Denied, suspended, or revoked the employee's registration or license to engage in a financial services-related activity; disciplined the employee or otherwise by order prevented the employee from associating with a financial services-related business or restricted the employee's activities; or

(D) Barred the employee from association with an entity or its officers regulated by the agency or authority or from engaging in a financial services-related business;

(vi) Final orders issued by a State or Federal regulatory agency or foreign financial regulatory authority based on violations of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct;

(vii) Revocation or suspension of the employee's authorization to act as an attorney, accountant, or State or Federal contractor;

(viii) Customer-initiated financial services-related arbitration or civil action against the employee that required action, including settlements, or which resulted in a judgment; and

(ix) Fingerprints of the employee, in digital form if practicable, and any appropriate identifying information for submission to the Federal Bureau of Investigation and any governmental agency or entity authorized to receive such information in connection with a State and national criminal history background check; however, fingerprints provided to the Registry that are less than 3 years old may be used to satisfy this requirement.

(2) *Employee authorizations and attestation*. An employee registering as a mortgage loan originator or renewing or updating his or her registration under this part, and not the employing Farm Credit System institution or other employees of the Farm Credit System institution, must:

(i) Authorize the Registry 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;

(ii) Attest to the correctness of all information required by paragraph (d) of this section, whether submitted by the employee or on behalf of the employee by the employing Farm Credit System institution; and

(iii) Authorize the Registry to make available to the public information required by paragraphs (d)(1)(i)(A) and (C), and (d)(1)(ii) through (viii) of this section.

(3) *Submission of information*. A Farm Credit System institution may identify one or more employees of the Farm Credit System institution who may submit the information required by paragraph (d)(1) of this section to the Registry on behalf of the Farm Credit System institution's employees provided that this individual, and any employee delegated such authority, does not act as a mortgage loan originator, consistent with paragraph (e)(1)(i)(F) of this section. In addition, a Farm Credit System institution may submit to the Registry some or all of the information required by paragraphs (d)(1) and (e)(2) of this section for multiple employees in bulk through batch processing in a format to be specified by the Registry, to the extent such batch processing is made available by the Registry.

(e) *Required Farm Credit System institution information*. A Farm Credit System institution must submit the following categories of information to the Registry:

(1) *Farm Credit System institution record*.

(i) In connection with the registration of one or more mortgage loan originators:

(A) Name, main office address, and business contact information;

(B) Internal Revenue Service Employer Tax Identification Number (EIN);

(C) Research Statistics Supervision and Discount (RSSD) number, as issued by the Board of Governors of the Federal Reserve System;

(D) Identification of its primary Federal regulator;

(E) Name(s) and contact information of the individual(s) with authority to act as the Farm Credit System institution's primary point of contact for the Registry;

(F) Name(s) and contact information of the individual(s) with authority to enter the information required by paragraphs (d)(1) and (e) of this section to the Registry and who may delegate this authority to other individuals. For

the purpose of providing information required by paragraph (e) of this section, this individual and their delegates must not act as mortgage loan originators unless the Farm Credit System institution has 10 or fewer full time or equivalent employees and is not a subsidiary; and

(G) If an operating subsidiary of an agricultural credit association, indication that it is a subsidiary and the RSSD number of the parent agricultural credit association.

(ii) *Attestation.* The individual(s) identified in paragraphs (e)(1)(i)(E) and (F) of this section must comply with Registry protocols to verify their identity and must attest that they have the authority to enter data on behalf of the Farm Credit System institution, that the information provided to the Registry pursuant to this paragraph (e) is correct, and that the Farm Credit System institution will keep the information required by this paragraph (e) current and will file accurate supplementary information on a timely basis.

(iii) A Farm Credit System institution must update the information required by this paragraph (e) of this section within 30 days of the date that this information becomes inaccurate.

(iv) A Farm Credit System institution must renew the information required by paragraph (e) of this section on an annual basis.

(2) *Employee information.* In connection with the registration of each employee who acts as a mortgage loan originator:

(i) After the information required by paragraph (d) of this section has been submitted to the Registry, confirmation that it employs the registrant; and

(ii) Within 30 days of the date the registrant ceases to be an employee of the Farm Credit System institution, notification that it no longer employs the registrant and the date the registrant ceased being an employee.

#### **§ 610.104 Policies and procedures.**

A Farm Credit System institution that employs one or more mortgage loan originators must adopt and follow written policies and procedures designed to assure compliance with this part. These policies and procedures must be appropriate to the nature, size, complexity, and scope of the mortgage lending activities of the Farm Credit System institution, and apply only to those employees acting within the scope of their employment at the Farm Credit System institution. At a minimum, these policies and procedures must:

(a) Establish a process for identifying which employees of the Farm Credit

System institution are required to be registered mortgage loan originators;

(b) Require that all employees of the Farm Credit System institution who are mortgage loan originators be informed of the registration requirements of the S.A.F.E. Act and this part and be instructed on how to comply with such requirements and procedures;

(c) Establish procedures to comply with the unique identifier requirements in § 610.105;

(d) Establish reasonable procedures for confirming the adequacy and accuracy of employee registrations, including updates and renewals, by comparisons with its own records;

(e) Establish reasonable procedures and tracking systems for monitoring compliance with registration and renewal requirements and procedures;

(f) Provide for independent testing for compliance with this part to be conducted at least annually by Farm Credit System institution personnel or by an outside party;

(g) Provide for appropriate action in the case of any employee who fails to comply with the registration requirements of the S.A.F.E. Act, this part, or the Farm Credit System institution's related policies and procedures, including prohibiting such employees from acting as mortgage loan originators or other appropriate disciplinary actions;

(h) Establish a process for reviewing employee criminal history background reports received pursuant to this part, taking appropriate action consistent with applicable Federal law, including section 5.65(d) of the Farm Credit Act of 1971, as amended, 12 U.S.C. 2277a–14(d) and implementing regulations with respect to these reports, and maintaining records of these reports and actions taken with respect to applicable employees; and

(i) Establish procedures designed to ensure that any third party with which the Farm Credit System institution has arrangements related to mortgage loan origination has policies and procedures to comply with the S.A.F.E. Act, including appropriate licensing and/or registration of individuals acting as mortgage loan originators.

#### **§ 610.105 Use of unique identifier.**

(a) The Farm Credit System institution shall make the unique identifier(s) of its registered mortgage loan originator(s) available to consumers in a manner and method practicable to the institution.

(b) A registered mortgage loan originator shall provide his or her unique identifier to a consumer:

(1) Upon request;

(2) Before acting as a mortgage loan originator; and

(3) Through the originator's initial written communication with a consumer, if any, whether on paper or electronically.

#### **Appendix A to Part 610—Examples of Mortgage Loan Originator Activities**

This Appendix provides examples to aid in the understanding of activities that would cause an employee of a Farm Credit System institution to fall within or outside the definition of mortgage loan originator. The examples in this Appendix are not all inclusive. They illustrate only the issue described and do not illustrate any other issues that may arise under this part. For purposes of the examples below, the term "loan" refers to a residential mortgage loan.

(a) *Taking a loan application.* The following examples illustrate when an employee takes, or does not take, a loan application.

(1) Taking an application includes: receiving information provided in connection with a request for a loan to be used to determine whether the consumer qualifies for a loan, even if the employee:

(i) Has received the consumer's information indirectly in order to make an offer or negotiate a loan;

(ii) Is not responsible for verifying information;

(iii) Is inputting information into an online application or other automated system on behalf of the consumer; or

(iv) Is not engaged in approval of the loan, including determining whether the consumer qualifies for the loan.

(2) Taking an application does not include any of the following activities performed solely or in combination:

(i) Contacting a consumer to verify the information in the loan application by obtaining documentation, such as tax returns or payroll receipts;

(ii) Receiving a loan application through the mail and forwarding it, without review, to loan approval personnel;

(iii) Assisting a consumer who is filling out an application by clarifying what type of information is necessary for the application or otherwise explaining the qualifications or criteria necessary to obtain a loan product;

(iv) Describing the steps that a consumer would need to take to provide information to be used to determine whether the consumer qualifies for a loan or otherwise explaining the loan application process;

(v) In response to an inquiry regarding a prequalified offer that a consumer has received from a Farm Credit System institution, collecting only basic identifying information about the consumer and forwarding the consumer to a mortgage loan originator; or

(vi) Receiving information in connection with a modification to the terms of an existing loan to a borrower as part of the Farm Credit System institution's loss mitigation efforts when the borrower is reasonably likely to default.

(b) *Offering or negotiating terms of a loan.* The following examples are designed to

illustrate when an employee offers or negotiates terms of a loan, and conversely, what does not constitute offering or negotiating terms of a loan.

(1) Offering or negotiating the terms of a loan includes:

(i) Presenting a loan offer to a consumer for acceptance, either verbally or in writing, including, but not limited to, providing a disclosure of the loan terms after application under the Truth in Lending Act, even if:

(A) Further verification of information is necessary;

(B) The offer is conditional;

(C) Other individuals must complete the loan process; or

(D) Only the rate approved by the Farm Credit System institution's loan approval mechanism function for a specific loan product is communicated without authority to negotiate the rate.

(ii) Responding to a consumer's request for a lower rate or lower points on a pending loan application by presenting to the consumer a revised loan offer, either verbally or in writing, that includes a lower interest rate or lower points than the original offer.

(2) Offering or negotiating terms of a loan does not include solely or in combination:

(i) Providing general explanations or descriptions in response to consumer queries regarding qualification for a specific loan product, such as explaining loan terminology (*i.e.*, debt-to-income ratio); lending policies (*i.e.*, the loan-to-value ratio policy of the Farm Credit System institution); or product-related services;

(ii) In response to a consumer's request, informing a consumer of the loan rates that are publicly available, such as on the Farm Credit System institution's Web site, for specific types of loan products without communicating to the consumer whether qualifications are met for that loan product;

(iii) Collecting information about a consumer in order to provide the consumer with information on loan products for which the consumer generally may qualify, without presenting a specific loan offer to the consumer for acceptance, either verbally or in writing;

(iv) Arranging the loan closing or other aspects of the loan process, including communicating with a consumer about those arrangements, provided that communication with the consumer only verifies loan terms already offered or negotiated;

(v) Providing a consumer with information unrelated to loan terms, such as the best days of the month for scheduling loan closings at the Farm Credit System institution;

(vi) Making an underwriting decision about whether the consumer qualifies for a loan;

(vii) Explaining or describing the steps or process that a consumer would need to take in order to obtain a loan offer, including qualifications or criteria that would need to be met without providing guidance specific to that consumer's circumstances; or

(viii) Communicating on behalf of a mortgage loan originator that a written offer, including disclosures provided pursuant to the Truth in Lending Act, has been sent to a consumer without providing any details of that offer.

(c) *Offering or negotiating a loan for compensation or gain.* The following

examples illustrate when an employee does or does not offer or negotiate terms of a loan "for compensation or gain."

(1) Offering or negotiating terms of a loan for compensation or gain includes engaging in any of the activities in paragraph (b)(1) of this Appendix in the course of carrying out employment duties, even if the employee does not receive a referral fee or commission or other special compensation for the loan.

(2) Offering or negotiating terms of a loan for compensation or gain does not include engaging in a seller-financed transaction for the employee's personal property that does not involve the Farm Credit System institution.

## National Credit Union Administration

### 12 CFR Chapter VII

#### Authority and Issuance

■ For the reasons stated in the preamble, the National Credit Union Administration amends chapter VII of title 12 of the Code of Federal Regulations as follows:

#### PART 741—REQUIREMENTS FOR INSURANCE

■ 1. The authority citation for part 741 continues to read as follows:

**Authority:** 12 U.S.C. 1757, 1766, 1781–1790, and 1790d.

■ 2. Add a new § 741.223 to subpart B to read as follows:

##### § 741.223 Registration of residential mortgage loan originators.

Any credit union which is insured pursuant to Title II of the Act must adhere to the requirements stated in part 761 of this chapter.

■ 3. Add a new part 761 to subchapter A to read as follows:

#### PART 761—REGISTRATION OF RESIDENTIAL MORTGAGE LOAN ORIGINATORS

Sec.

761.101 Authority, purpose, and scope.

761.102 Definitions.

761.103 Registration of mortgage loan originators.

761.104 Policies and procedures.

761.105 Use of unique identifier.

Appendix A to Part 761—Examples of Mortgage Loan Originator Activities.

**Authority:** 12 U.S.C. 1751 *et seq.* and 5101 *et seq.*

#### PART 761—REGISTRATION OF RESIDENTIAL MORTGAGE LOAN ORIGINATORS

§ 761.101 **Authority, purpose, and scope.**

(a) *Authority.* This part is issued pursuant to the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, title V of the Housing and Economic Recovery Act of 2008

(S.A.F.E. Act) (Pub. L. 110–289, 122 Stat. 2654, 12 U.S.C. 5101 *et seq.*).

(b) *Purpose.* This part implements the S.A.F.E. Act's Federal registration requirement for mortgage loan originators. The S.A.F.E. Act provides that the objectives of this registration include aggregating and improving the flow of information to and between regulators; providing increased accountability and tracking of mortgage loan originators; enhancing member protections; reducing fraud in the residential mortgage loan origination process; and providing members with easily accessible information at no charge regarding the employment history of, and publicly adjudicated disciplinary and enforcement actions against, mortgage loan originators.

(c) *Scope*—(1) *In general.* This part applies to any Federally insured credit union and its employees, including volunteers, who act as mortgage loan originators. This part also applies to non-Federally insured credit unions and their employees, including volunteers, who act as mortgage loan originators, subject to the conditions in paragraph (c)(3) of this section.

(2) *Exception.* (i) This part and the requirements of 12 U.S.C. 5104(a)(1)(A) and (2) of the S.A.F.E. Act do not apply to any employee of a credit union who has never been registered or licensed through the Registry as a mortgage loan originator if during the past 12 months the employee acted as a mortgage loan originator for 5 or fewer residential mortgage loans.

(ii) Prior to engaging in mortgage loan origination activity that exceeds the exception limit in paragraph (c)(2)(i) of this section, a credit union employee must register with the Registry pursuant to this part.

(iii) *Evasion.* Credit unions are prohibited from engaging in any act or practice to evade the limits of the *de minimis* exception set forth in paragraph (c)(2)(i) of this section.

(3) *For non-Federally insured credit unions.* Non-Federally insured credit unions and their employees who are mortgage loan originators may register under this rule only if:

(i) The appropriate State supervisory authorities where non-Federally insured credit unions are located enter into a Memorandum of Understanding (MOU) with the National Credit Union Administration on or before the date NCUA provides in a public notice that the Registry is accepting initial registrations.

(ii) The MOU may require non-Federally insured credit unions to pay various fees related to oversight costs and registration costs for the non-



Federally insured credit unions' mortgage loan originators.

(iii) Any Nationwide Mortgage Licensing System and Registry listing of a non-Federally insured credit union and its employees must contain a clear and conspicuous statement that the non-Federally insured credit union is not insured by the National Credit Union Share Insurance Fund.

(iv) If any State supervisory authority where non-Federally insured credit unions are located fails to enter into or maintain an agreement with the National Credit Union Administration for this registration process and oversight, the non-Federally insured credit unions and their employees in that State cannot register or maintain registration under the Federal system. They instead must use the appropriate State licensing and registration system, or if the State does not have such a system, the licensing and registration system established by the Department of Housing and Urban Department (HUD) for mortgage loan originators and their employees.

#### § 761.102 Definitions.

For purposes of this part, the following definitions apply:

(a) *Annual renewal period* means November 1 through December 31 of each year.

(b)(1) *Mortgage loan originator*<sup>1</sup> means an individual who:

(i) Takes a residential mortgage loan application; and

(ii) Offers or negotiates terms of a residential mortgage loan for compensation or gain.

(2) The term *mortgage loan originator* does not include:

(i) An individual who performs purely administrative or clerical tasks on behalf of an individual who is described in paragraph (b)(1) of this section;

(ii) An individual who only performs real estate brokerage activities (as defined in 12 U.S.C. 5102(3)(D)) and is licensed or registered as a real estate broker in accordance with applicable State law, unless the individual is compensated by a lender, a mortgage broker, or other mortgage loan originator or by any agent of such lender, mortgage broker, or other mortgage loan originator, and meets the definition of mortgage loan originator in paragraph (b)(1) of this section; or

(iii) An individual or entity solely involved in extensions of credit related

to timeshare plans, as that term is defined in 11 U.S.C. 101(53D).

(3) *Administrative or clerical tasks* means the receipt, collection, and distribution of information common for the processing or underwriting of a loan in the residential mortgage industry and communication with a member to obtain information necessary for the processing or underwriting of a residential mortgage loan.

(c) *Nationwide Mortgage Licensing System and Registry* or *Registry* means the system developed and maintained by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators for the State licensing and registration of State-licensed mortgage loan originators and the registration of mortgage loan originators pursuant to 12 U.S.C. 5107.

(d) *Registered mortgage loan originator* or *registrant* means any individual who:

(1) Meets the definition of mortgage loan originator and is an employee of a credit union; and

(2) Is registered pursuant to this part with, and maintains a unique identifier through, the Registry.

(e) *Residential mortgage loan* means any loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling (as defined in section 103(v) of the Truth in Lending Act, 15 U.S.C. 1602(v)) or residential real estate upon which is constructed or intended to be constructed a dwelling, and includes refinancings, reverse mortgages, home equity lines of credit and other first and additional lien loans that meet the qualifications listed in this definition.

(f) *Unique identifier* means a number or other identifier that:

(1) Permanently identifies a registered mortgage loan originator;

(2) Is assigned by protocols established by the Nationwide Mortgage Licensing System and Registry, the Federal banking agencies, and the Farm Credit Administration to facilitate:

(i) Electronic tracking of mortgage loan originators; and

(ii) Uniform identification of, and public access to, the employment history of and the publicly adjudicated disciplinary and enforcement actions against mortgage loan originators; and

(3) Must not be used for purposes other than those set forth under the S.A.F.E. Act.

#### § 761.103 Registration of mortgage loan originators.

(a) *Registration requirement*—(1) *Employee registration*. Each employee of

a credit union who acts as a mortgage loan originator must register with the Registry, obtain a unique identifier, and maintain this registration in accordance with the requirements of this part. Any such employee who is not in compliance with the registration and unique identifier requirements set forth in this part is in violation of the S.A.F.E. Act and this part.

(2) *Credit union requirement*—(i) *In general*. A credit union that employs one or more individuals who act as a residential mortgage loan originator must require each employee who is a mortgage loan originator to register with the Registry, maintain this registration, and obtain a unique identifier in accordance with the requirements of this part.

(ii) *Prohibition*. A credit union must not permit an employee of the credit union who is subject to the registration requirements of this part to act as a mortgage loan originator for the credit union unless such employee is registered with the Registry pursuant to this part.

(3) *Implementation period for initial registration*. An employee of a credit union who is a mortgage loan originator must complete an initial registration with the Registry pursuant to this part within 180 days from the date that the NCUA provides in a public notice that the Registry is accepting registrations.

(4) *Employees previously registered or licensed through the Registry*—(i) *In general*. If an employee of a credit union was registered or licensed through, and obtained a unique identifier from, the Registry and has maintained this registration or license before the employee becomes subject to this part at this credit union, then the registration requirements of the S.A.F.E. Act and this part are deemed to be met, provided that:

(A) The employment information in paragraphs (d)(1)(i)(C) and (d)(1)(ii) of this section is updated and the requirements of paragraph (d)(2) of this section are met;

(B) New fingerprints of the employee are submitted to the Registry for a background check, as required by paragraph (d)(1)(ix) of this section, unless the employee has fingerprints on file with the Registry that are less than 3 years old;

(C) The credit union information required in paragraphs (e)(1)(i) (to the extent the credit union has not previously met these requirements) and (e)(2)(i) of this section is submitted to the Registry; and

(D) The registration is maintained pursuant to paragraphs (b) and (e)(1)(ii) of this section, as of the date that the

<sup>1</sup> Appendix A of this part provides examples of activities that would, and would not, cause an employee to fall within the definition of mortgage loan originator.



employee is employed by the credit union.

(ii) *Rule for certain acquisitions, mergers, or reorganizations.* When registered or licensed mortgage loan originators become credit union employees as a result of an acquisition, merger, or reorganization, the requirements of paragraphs (a)(4)(i)(A), (C), and (D) of this section must be met within 60 days from the effective date of the acquisition, merger, or reorganization.

(b) *Maintaining registration.* (1) A mortgage loan originator who is registered with the Registry pursuant to paragraph (a) of this section must:

(i) Except as provided in paragraph (b)(3) of this section, renew the registration during the annual renewal period, confirming the responses set forth in paragraphs (d)(1)(i) through (viii) of this section remain accurate and complete, and updating this information, as appropriate; and

(ii) Update the registration within 30 days of any of the following events:

(A) A change in the name of the registrant;

(B) The registrant ceases to be an employee of the credit union; or

(C) The information required under paragraphs (d)(1)(iii) through (viii) of this section becomes inaccurate, incomplete, or out-of-date.

(2) A registered mortgage loan originator must maintain his or her registration, unless the individual is no longer engaged in the activity of a mortgage loan originator.

(3) The annual registration renewal requirement set forth in paragraph (b)(1) of this section does not apply to a registered mortgage loan originator who has completed his or her registration with the Registry pursuant to paragraph (a)(1) of this section less than 6 months prior to the end of the annual renewal period.

(c) *Effective dates*—(1) *Registration.* A registration pursuant to paragraph (a)(1) of this section is effective on the date the Registry transmits notification to the registrant that the registrant is registered.

(2) *Renewals or updates.* A renewal or update pursuant to paragraph (b) of this section is effective on the date the Registry transmits notification to the registrant that the registration has been renewed or updated.

(d) *Required employee information*—(1) *In general.* For purposes of the registration required by this section, a credit union must require each employee who is a mortgage loan originator to submit to the Registry, or must submit on behalf of the employee, the following categories of information,

to the extent this information is collected by the Registry:

(i) Identifying information, including the employee's:

(A) Name and any other names used;

(B) Home address and contact information;

(C) Principal business location address and business contact information;

(D) Social security number;

(E) Gender; and

(F) Date and place of birth;

(ii) Financial services-related employment history for the 10 years prior to the date of registration or renewal, including the date the employee became an employee of the credit union;

(iii) Convictions of any criminal offense involving dishonesty, breach of trust, or money laundering against the employee or organizations controlled by the employee, or agreements to enter into a pretrial diversion or similar program in connection with the prosecution for such offense(s);

(iv) Civil judicial actions against the employee in connection with financial services-related activities, dismissals with settlements, or judicial findings that the employee violated financial services-related statutes or regulations, except for actions dismissed without a settlement agreement;

(v) Actions or orders by a State or Federal regulatory agency or foreign financial regulatory authority that:

(A) Found the employee to have made a false statement or omission or been dishonest, unfair or unethical; to have been involved in a violation of a financial services-related regulation or statute; or to have been a cause of a financial services-related business having its authorization to do business denied, suspended, revoked, or restricted;

(B) Are entered against the employee in connection with a financial services-related activity;

(C) Denied, suspended, or revoked the employee's registration or license to engage in a financial services-related activity; disciplined the employee or otherwise by order prevented the employee from associating with a financial services-related business or restricted the employee's activities; or

(D) Barred the employee from association with an entity or its officers regulated by the agency or authority or from engaging in a financial services-related business;

(vi) Final orders issued by a State or Federal regulatory agency or foreign financial regulatory authority based on violations of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct;

(vii) Revocation or suspension of the employee's authorization to act as an attorney, accountant, or State or Federal contractor;

(viii) Customer-initiated financial services-related arbitration or civil action against the employee that required action, including settlements, or which resulted in a judgment; and

(ix) Fingerprints of the employee, in digital form if practicable, and any appropriate identifying information for submission to the Federal Bureau of Investigation and any governmental agency or entity authorized to receive such information in connection with a State and national criminal history background check; however, fingerprints provided to the Registry that are less than 3 years old may be used to satisfy this requirement.

(2) *Employee authorization and attestation.* An employee registering as a mortgage loan originator or renewing or updating his or her registration under this part, and not the employing credit union or other employees of the credit union, must:

(i) Authorize the Registry 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;

(ii) Attest to the correctness of all information required by paragraph (d) of this section, whether submitted by the employee or on behalf of the employee by the employing credit union; and

(iii) Authorize the Registry to make available to the public information required by paragraphs (d)(1)(i)(A) and (C), and (d)(1)(ii) through (viii) of this section.

(3) *Submission of information.* A credit union may identify one or more employees of the credit union who may submit the information required by paragraph (d)(1) of this section to the Registry on behalf of the credit union's employees provided that this individual, and any employee delegated such authority, does not act as a mortgage loan originator, consistent with (e)(1)(i)(F) of this section. In addition, a credit union may submit to the Registry some or all of the information required by paragraphs (d)(1) and (e)(2) of this section for multiple employees in bulk through batch processing in a format to be specified by the Registry, to the extent such batch processing is made available by the Registry.

(e) *Required credit union information.* A credit union must submit the following categories of information to the Registry:

(1) *Credit union record.* (i) In connection with the registration of one or more mortgage loan originators:

(A) Name, main office address, and business contact information;

(B) Internal Revenue Service Employer Tax Identification Number (EIN);

(C) Research Statistics Supervision and Discount (RSSD) number, as issued by the Board of Governors of the Federal Reserve System;

(D) Identification of its primary Federal regulator;

(E) Name(s) and contact information of the individual(s) with authority to act as the credit union's primary point of contact for the Registry;

(F) Name(s) and contact information of the individual(s) with authority to enter the information required by paragraphs (d)(1) and (e) of this section to the Registry and who may delegate this authority to other individuals. For the purpose of providing information required by paragraph (e) of this section, this individual and their delegates must not act as mortgage loan originators unless the credit union has 10 or fewer full time or equivalent employees.

(ii) *Attestation.* The individual(s) identified in paragraphs (e)(1)(i)(E) and (F) of this section must comply with Registry protocols to verify their identity and must attest that they have the authority to enter data on behalf of the credit union, that the information provided to the Registry pursuant to this paragraph (e) is correct, and that the credit union will keep the information required by this paragraph (e) current and will file accurate supplementary information on a timely basis.

(iii) A credit union must update the information required by this paragraph (e) of this section within 30 days of the date that this information becomes inaccurate.

(iv) A credit union must renew the information required by paragraph (e) of this section on an annual basis.

(2) *Employee information.* In connection with the registration of each employee who acts as a mortgage loan originator:

(i) After the information required by paragraph (d) of this section has been submitted to the Registry, confirmation that it employs the registrant; and

(ii) Within 30 days of the date the registrant ceases to be an employee of the credit union, notification that it no longer employs the registrant and the date the registrant ceased being an employee.

#### **§ 761.104 Policies and procedures.**

A credit union that employs one or more mortgage loan originators must

adopt and follow written policies and procedures designed to assure compliance with this part. These policies and procedures must be appropriate to the nature, size, complexity, and scope of the mortgage lending activities of the credit union, and apply only to those employees acting within the scope of their employment at the credit union. At a minimum, these policies and procedures must:

(a) Establish a process for identifying which employees of the credit union are required to be registered mortgage loan originators;

(b) Require that all employees of the credit union who are mortgage loan originators be informed of the registration requirements of the S.A.F.E. Act and this part and be instructed on how to comply with such requirements and procedures;

(c) Establish procedures to comply with the unique identifier requirements in § 761.105;

(d) Establish reasonable procedures for confirming the adequacy and accuracy of employee registrations, including updates and renewals, by comparisons with its own records;

(e) Establish reasonable procedures and tracking systems for monitoring compliance with registration and renewal requirements and procedures;

(f) Provide for independent testing for compliance with this part to be conducted at least annually by credit union personnel or by an outside party;

(g) Provide for appropriate action in the case of any employee who fails to comply with the registration requirements of the S.A.F.E. Act, this part, or the credit union's related policies and procedures, including prohibiting such employees from acting as mortgage loan originators or other appropriate disciplinary actions;

(h) Establish a process for reviewing employee criminal history background reports received pursuant to this part, taking appropriate action consistent with applicable Federal law, including section 206 of the Federal Credit Union Act (12 U.S.C. 1786(i)) and implementing regulations with respect to these reports, and maintaining records of these reports and actions taken with respect to applicable employees; and

(i) Establish procedures designed to ensure that any third party with which the credit union has arrangements related to mortgage loan origination has policies and procedures to comply with the S.A.F.E. Act, including appropriate licensing and/or registration of individuals acting as mortgage loan originators.

#### **§ 761.105 Use of unique identifier.**

(a) The credit union shall make the unique identifier(s) of its registered mortgage loan originator(s) available to members in a manner and method practicable to the credit union.

(b) A registered mortgage loan originator shall provide his or her unique identifier to a member:

(1) Upon request;

(2) Before acting as a mortgage loan originator; and

(3) Through the originator's initial written communication with a member, if any, whether on paper or electronically.

#### **Appendix A to Part 761—Examples of Mortgage Loan Originator Activities**

This Appendix provides examples to aid in the understanding of activities that would cause an employee of a credit union to fall within or outside the definition of mortgage loan originator. The examples in this Appendix are not all inclusive. They illustrate only the issue described and do not illustrate any other issues that may arise under this part. For the purposes of the examples below, the term "loan" refers to a residential mortgage loan.

(a) *Taking a loan application.* The following examples illustrate when an employee takes, or does not take, a loan application.

(1) Taking an application includes: receiving information provided in connection with a request for a loan to be used to determine whether the member qualifies for a loan, even if the employee:

(i) Has received the member's information indirectly in order to make an offer or negotiate a loan;

(ii) Is not responsible for further verification of information;

(iii) Is inputting information into an online application or other automated system on behalf of the member; or

(iv) Is not engaged in approval of the loan, including determining whether the member qualifies for the loan.

(2) Taking an application does not include any of the following activities performed solely or in combination:

(i) Contacting a member to verify the information in the loan application by obtaining documentation, such as tax returns or payroll receipts;

(ii) Receiving a loan application through the mail and forwarding it, without review, to loan approval personnel;

(iii) Assisting a member who is filling out an application by clarifying what type of information is necessary for the application or otherwise explaining the qualifications or criteria necessary to obtain a loan product;

(iv) Describing the steps that a member would need to take to provide information to be used to determine whether the member qualifies for a loan or otherwise explaining the loan application process;

(v) In response to an inquiry regarding a prequalified offer that a member has received from a credit union, collecting only basic identifying information about the member

and forwarding the member to a loan originator; or

(vi) Receiving information in connection with a modification to the terms of an existing loan to a borrower as part of the credit union's loss mitigation efforts when the borrower is reasonably likely to default.

(b) *Offering or negotiating terms of a loan.* The following examples are designed to illustrate when an employee offers or negotiates terms of a loan, and conversely, what does not constitute offering or negotiating terms of a loan.

(1) Offering or negotiating the terms of a loan includes:

(i) Presenting a loan offer to a member for acceptance, either verbally or in writing, including, but not limited to, providing a disclosure of the loan terms after application under the Truth in Lending Act, even if:

(A) Further verification of information is necessary;

(B) The offer is conditional;

(C) Other individuals must complete the loan process; or

(D) Only the rate approved by the credit union's loan approval mechanism function for a specific loan product is communicated without authority to negotiate the rate.

(ii) Responding to a member's request for a lower rate or lower points on a pending loan application by presenting to the member a revised loan offer, either verbally or in writing, that includes a lower interest rate or lower points than the original offer.

(2) Offering or negotiating terms of a loan does not include solely or in combination:

(i) Providing general explanations or descriptions in response to member queries regarding qualification for a specific loan product, such as explaining loan terminology (*i.e.*, debt-to-income ratio); lending policies (*i.e.*, the loan-to-value ratio policy of the credit union); or product-related services;

(ii) In response to a member's request, informing a member of the loan rates that are publicly available, such as on the credit union's Web site, for specific types of loan products without communicating to the member whether qualifications are met for that loan product;

(iii) Collecting information about a member in order to provide the member with information on loan products for which the member generally may qualify, without presenting a specific loan offer to the member for acceptance, either verbally or in writing;

(iv) Arranging the loan closing or other aspects of the loan process, including communicating with a member about those arrangements, provided that communication with the member only verifies loan terms already offered or negotiated;

(v) Providing a member with information unrelated to loan terms, such as the best days of the month for scheduling loan closings at the credit union;

(vi) Making an underwriting decision about whether the member qualifies for a loan;

(vii) Explaining or describing the steps or process that a member would need to take in order to obtain a loan offer, including qualifications or criteria that would need to be met without providing guidance specific to that member's circumstances; or

(viii) Communicating on behalf of a mortgage loan originator that a written offer, including disclosures provided pursuant to the Truth in Lending Act, has been sent to a member without providing any details of that offer.

(c) *Offering or negotiating a loan for compensation or gain.* The following examples illustrate when an employee does or does not offer or negotiate terms of a loan "for compensation or gain."

(1) Offering or negotiating terms of a loan for compensation or gain includes engaging in any of the activities in paragraph (b)(1) of

this Appendix in the course of carrying out employment duties, even if the employee does not receive a referral fee or commission or other special compensation for the loan.

(2) Offering or negotiating terms of a loan for compensation or gain does not include engaging in a seller-financed transaction for the employee's personal property that does not involve the credit union.

Dated: December 23, 2009.

**John C. Dugan,**

*Comptroller of the Currency.*

By order of the Board of Governors of the Federal Reserve System, July 13, 2010.

**Jennifer J. Johnson,**

*Secretary of the Board.*

By order of the Board of Directors.

Dated at Washington, DC the 14th day of July, 2010.

**Robert E. Feldman,**

*Executive Secretary,*

Federal Deposit Insurance Corporation.

Dated: May 12, 2010.

By the Office of Thrift Supervision.

**John E. Bowman,**

*Acting Director.*

Dated: April 15, 2010.

**Roland E. Smith,**

*Secretary, Farm Credit Administration Board.*

Dated: April 10, 2010.

**Mary F. Rupp,**

*Secretary to the Board, National Credit Union Administration.*

**Editorial Note:** This document was received in the Office of the Federal Register on July 20, 2010.

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DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Part 34

[Docket ID OCC-2010-0007]  
RIN 1557-AD23

FEDERAL RESERVE SYSTEM

12 CFR Parts 208 and 211

[Docket No. R-1357]

FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 365

RIN 3064-AD43

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Part 563

[Docket No. 2010--0021]  
RIN 1550-AC33

FARM CREDIT ADMINISTRATION

12 CFR Part 610

RIN 3052-AC52

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Parts 741 and 761

RIN 3133-AD59

Registration of Mortgage Loan Originators

Correction

In rule document 2010-18148 beginning on page 44656 in the issue of Wednesday, July 28, 2010, make the following corrections:  
On pages 44656 through 44684, in Separate Part IV, footnotes 1 through 67 were not correctly numbered. The entire preamble is being

reprinted to include the correctly numbered footnotes.

AGENCY: Office of the Comptroller of the Currency, Treasury (OCC); Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); Office of Thrift Supervision, Treasury (OTS); Farm Credit Administration (FCA); and National Credit Union Administration (NCUA).

ACTION: Final rule.

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SUMMARY: The OCC, Board, FDIC, OTS, FCA, and NCUA (collectively, the Agencies) are adopting final rules to implement the Secure and Fair Enforcement for Mortgage Licensing Act (the S.A.F.E. Act). The S.A.F.E. Act requires an employee of a bank, savings association, credit union or Farm Credit System (FCS) institution and certain of their subsidiaries that are regulated by a Federal banking agency or the FCA (collectively, Agency-regulated institutions) who acts as a residential mortgage loan originator to register with the Nationwide Mortgage Licensing System and Registry, obtain a unique identifier, and maintain this registration. The final rule further provides that Agency-regulated institutions must: require their employees who act as residential mortgage loan originators to comply with the S.A.F.E. Act's requirements to register and obtain a unique identifier, and adopt and follow written policies and procedures designed to assure compliance with these requirements.

DATES: This final rule is effective on October 1, 2010. Compliance with Sec. ----.103 (registration requirement) of the final rule is required by the end of the 180-day period for initial registrations beginning on the date the Agencies provide in a public notice that the Registry is accepting initial registrations.

FOR FURTHER INFORMATION CONTACT:

OCC: Michele Meyer, Assistant Director, Heidi Thomas, Special Counsel, or Patrick T. Tierney, Senior Attorney, Legislative and Regulatory Activities, (202) 874-5090, and Nan Goulet, Senior Advisor, Large Bank Supervision, (202) 874-5224, Office of the Comptroller of the Currency, 250 E Street SW., Washington, DC 20219.

Board: Anne Zorc, Counsel, Legal Division, (202) 452-3876, Virginia Gibbs, Senior Supervisory Analyst, (202) 452-2521, and Stanley Rediger, Supervisory Financial Analyst, (202) 452-2629, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551.

FDIC: Thomas F. Lyons, Examination Specialist, (202) 898-6850, Victoria Pawelski, Senior Policy Analyst, (202) 898-3571, or John P. Kotsiras, Financial Analyst, (202) 898-6620, Division of Supervision and Consumer Protection; or Richard Foley, Counsel, (202) 898-3784, or Kimberly A. Stock, Counsel, (202) 898-3815, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

OTS: Charlotte M. Bahin, Special Counsel (Special Projects), (202) 906-6452, Vicki Hawkins-Jones, Special Counsel, Regulations and Legislation Division, (202) 906-7034, Debbie Merkle, Project Manager, Credit Risk, (202) 906-5688, and Rhonda Daniels, Senior Compliance Program Analyst, Consumer Regulations, (202) 906-7158, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

FCA: Gary K. Van Meter, Deputy Director, Office of Regulatory Policy, (703) 883-4414, TTY (703) 883-4434, or Richard A. Katz, Senior

Counsel, or Jennifer Cohn, Senior Counsel, Office of General Counsel, (703) 883-4020, TTY (703) 883-4020, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090.

NCUA: Regina Metz, Staff Attorney, Office of General Counsel, 703-518-6561, or Lisa Dolin, Program Officer, Division of Supervision, Office of Examination and Insurance, 703-518-6360, National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314-3428.

SUPPLEMENTARY INFORMATION:

I. Background

A. Statutory Requirements

The S.A.F.E. Act,\1\ enacted on July 30, 2008, mandates a nationwide licensing and registration system for mortgage loan originators. Specifically, the Act requires all States to provide for a licensing and registration regime for mortgage loan originators who are not employed by Agency-regulated institutions within one year of enactment (or two years for States whose legislatures meet biennially). In addition, the S.A.F.E. Act requires the OCC, Board, FDIC, OTS and NCUA,\2\ through the Federal Financial Institutions Examination Council (FFIEC), and the FCA to develop and

[[Page 51624]]

maintain a system for registering mortgage loan originators employed by Agency-regulated institutions. The S.A.F.E. 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 mortgage loan originator and a unique identifier if employed by an Agency-regulated institution (Federal registration), or (2) a license and registration as a State-licensed mortgage loan originator and a unique identifier.\3\ The S.A.F.E. Act requires that Federal registration and State licensing and registration must be accomplished through the same online registration system, the Nationwide Mortgage Licensing System and Registry (Registry).

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\1\ The S.A.F.E. Act was enacted as part of the Housing and Economic Recovery Act of 2008, Public Law 110-289, Division A, Title V, sections 1501-1517, 122 Stat. 2654, 2810-2824 (July 30, 2008), codified at 12 U.S.C. 5101-5116. Citations in this Supplementary Information section are to the ``S.A.F.E. Act'' by section number in the public law.

\2\ The OCC, Board, FDIC, OTS, and NCUA are referred to both in the S.A.F.E. Act and in this rulemaking as the ``Federal banking agencies.''

\3\ If the Secretary of Housing and Urban Development (HUD) determines that any State fails, within the statutorily prescribed timeframe, to establish a licensing regime that meets the requirements of the S.A.F.E. Act, the Secretary is required to establish a system for the licensing and registration of mortgage loan originators in that State. S.A.F.E. Act at section 1508. See HUD proposed rule implementing this requirement at 75 FR 66548 (Dec. 15, 2009). HUD has reviewed the model legislation developed by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators to assist States in meeting the minimum requirements of the S.A.F.E. Act and found it to meet these requirements. See 74 FR 312 (Jan. 5, 2009) and <http://www.hud.gov/>

[offices/hsg/ramh/safe/cmsl.cfm](#).

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In connection with the Federal registration, the Agencies at a minimum must ensure that the Registry is furnished with information concerning the mortgage loan originator'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 Registry to obtain information related to any administrative, civil, or criminal findings by any governmental jurisdiction.\4\ On June 9, 2009, the Agencies issued a notice of proposed rulemaking to implement these requirements for Agency-regulated institutions.\5\

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\4\ S.A.F.E. Act at section 1507(a) (12 U.S.C. 5106(a)).  
\5\ 74 FR 27386 (June 9, 2009).

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#### B. Implementing the Requirements for Federal Registration

The Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) have developed and maintain a Web-based system, the Nationwide Mortgage Licensing System (NMLS), for the State licensing of mortgage loan originators in participating States.\6\ Mortgage loan originators in these States electronically complete a single uniform form (the MU4 form). The data provided on the form is stored electronically in a centralized repository available to State regulators of mortgage companies, who use it to process license applications and to authorize individuals to engage in mortgage loan origination, as well as for other supervisory purposes.

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\6\ The NMLS system is owned and operated by the State Regulatory Registry LLC (SRR), which is a limited-liability company established by CSBS and the American Association of Residential Mortgage Regulators as a subsidiary of CSBS to develop and operate nationwide systems for State regulators in the financial services industry. SRR has contracted with the Financial Industry Regulatory Authority (FINRA) to build and maintain the system. FINRA operates similar systems in the securities industry. More information about this system is available at <http://www.stateregulatoryregistry.org>.

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The Federal banking agencies, through the FFIEC, and the FCA are working with CSBS to modify the NMLS so that it can accept registrations from mortgage loan originators employed by Agency-regulated institutions. This modified registry will be renamed the Nationwide Mortgage Licensing System and Registry. The existing NMLS was not designed to support the Federal registration of Agency-regulated institution employees, who are not required to obtain additional authorization from the appropriate Federal agency to engage in mortgage loan origination activities that are permissible for an Agency-regulated institution. Accordingly, the system must be modified to accommodate the differences between the requirements for State licensing/registration and Federal registration. It also must be modified to accommodate the migration of an individual between the State licensing/registration and the Federal registration regimes or

the dual employment of an individual by both an Agency-regulated institution and a non-Agency-regulated institution.\7\ Furthermore, the S.A.F.E. Act requires new enhancements to the current system, such as the processing of fingerprints and public access to certain mortgage loan originator data. These modifications and enhancements require careful analysis and raise complex legal and system development issues that the Agencies are addressing both through this rulemaking and through consultation with the CSBS and the SRR. The OCC, on behalf of the Agencies, has entered into an agreement with the SRR that will provide for appropriate consultation between the Agencies and the Registry concerning Federal registrant information requirements and fees, system functionality and security, and other operational matters. The issuance of this final rule establishing the requirements for Federal registrants will enable the Agencies and SRR to complete modifications that will enable the system to accept Federal registrations. As described in the SUPPLEMENTARY INFORMATION section of the proposed rule, the Agencies will publicly announce the date on which the Registry will begin accepting Federal registrations, which will mark the beginning of the period during which employees of Agency-regulated institutions must complete the initial registration process. When fully operational, mortgage loan originators and their Agency-regulated institution employers are expected to have access to the Registry, seven days a week, to establish and maintain their registrations.\8\  
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\7\ The Agencies note that some employees of Agency-regulated institutions also may be subject to the State licensing and registration regime. For example, employees who act as mortgage loan originators for a bank and a nondepository subsidiary of a bank holding company that is not a subsidiary of a depository institution would be subject to both the Federal and State regimes.

\8\ Pursuant to section 1503(11) of the S.A.F.E. Act (12 U.S.C. 5102(11)), Agency-regulated institutions and their employees who are acting within the scope of their employment with the Agency-regulated institutions are not subject to State licensing or registration requirements for mortgage loan originators.  
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## II. Overview of the Proposal and Public Comments

The proposed rule required individuals employed by Agency-regulated institutions who act as mortgage loan originators and who do not qualify for the de minimis exception set forth in the proposal to register with the Registry, obtain unique identifiers, and maintain their registrations through updates and renewals. The proposal also directed Agency-regulated institutions to require compliance with these requirements, and to adopt and follow written policies and procedures to assure such compliance. The S.A.F.E. Act does not require the Registry to screen or approve registrations received from employees of Agency-regulated institutions and the Registry will not do so. Instead, the Registry will be the repository of, and conduit for, information on those employees who are mortgage loan originators at Agency-regulated institutions. Pursuant to Sec. Sec. ----.104(d) and (h) of the proposed rule, it would be the responsibility of each Agency-regulated institution to establish reasonable procedures for

[[Page 51625]]

confirming the adequacy and accuracy of employee registrations as well



as to establish a process for reviewing any criminal history background reports received from the Registry.

The proposal provided for a 180-day period within which to complete initial registrations after the Registry is capable of accepting registrations from employees of Agency-regulated institutions. During this period, employees of Agency-regulated institutions would not be subject to sanctions if they originate residential mortgage loans without having completed their registration.

The Agencies received over 140 different comment letters from financial institutions and holding companies, trade associations, Federal government agencies, a training company, and individuals. A number of Agency-regulated institutions objected to the registration requirement in general, suggesting that the registration requirement should not be applied to them because they were not involved in the abuses that led to the enactment of the S.A.F.E. Act. In addition, many of these commenters found the registration requirement overly burdensome, especially as they are subject to regular examinations by the Agencies and they already closely supervise the activities of their employees.

Many commenters raised concerns related to the proposed de minimis exception from the registration requirement. Under the proposed de minimis exception, a mortgage loan originator would not have to register if he or she acted as a mortgage loan originator for five or fewer loans and the Agency-regulated institution employs mortgage loan originators who, while excepted from registration pursuant to the individual exception, in the aggregate acted as mortgage loan originators in connection with 25 or fewer residential mortgage loans. Commenters suggested raising the mortgage loan originator and institution loan limits or eliminating one of the limits. Community bank trade associations were particularly concerned that the narrowness of the exception would exclude most community banks. Some commenters suggested that the exception should be tied to an asset-based threshold in the range of \$250 million to \$1 billion.

Most commenters objected to having employees who engage in loan modifications or assumptions register under the rule, noting that these activities are fundamentally different than the mortgage loan origination process in that loan modifications and assumptions: (1) Are loss mitigation activities, not loan originations; (2) provide loan modification or assumption personnel little to no discretion in negotiating the terms and conditions of any changes; and (3) are outside of the Congressional intent and the plain language of the S.A.F.E. Act.

While some commenters found the 180-day initial registration period adequate, a number of commenters suggested alternative periods ranging up to one year. Some trade associations and institutions supported staggering registration periods in order to reduce system demands and to tailor an implementation schedule to the particular capacities of an institution or group of institutions, as long as the implementation period would still be 180 days for each institution.

A number of commenters also raised issues related to the provision of fingerprints to the Registry. Commenters asserted that it was not appropriate to have an age limit on fingerprints as they tend not to change; that the Registry should be able to accept fingerprints in a variety of formats, such as paper and scanned digital prints; and that Agency-regulated institutions should be permitted to use existing channels to process fingerprints.

Many commenters expressed privacy and security concerns regarding the types of personal information that mortgage loan originators would have to provide to the Registry and the ability of the public to have Internet access to such information.

Trade associations and large Agency-regulated institutions overwhelmingly requested that the Registry accommodate batch processing of registrations in order to reduce the costs and burden of data input, reduce errors, and efficiently register bank employees.

The Agencies have modified the proposal to take into account many of these comments. A detailed discussion of these comment letters and the Agencies' responses to them appears in the section-by-section description of the final rule that follows.\9\  
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\9\ In addition to the changes described in this Supplementary Information section, the Agencies have replaced the cites in the proposed rule to sections of the S.A.F.E. Act with cites to the relevant provisions in the U.S. Code.  
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### III. Section-By-Section Description of the Final Rule

#### Section ----.101--Authority, Purpose, and Scope

The Agencies adopt paragraphs (a) and (b) of Sec. ----.101 as proposed.\10\ Paragraph (a) identifies the authority for this rule as the S.A.F.E. Act.\11\ Paragraph (b) states that this rule implements the S.A.F.E. Act's Federal registration requirements, which apply to individuals who originate residential mortgage loans. This provision also describes the objectives of the S.A.F.E. Act, which are derived from section 1502 of the Act (12 U.S.C. 5101).  
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\10\ Because each Agency's proposed rule will amend a different part of the Code of Federal Regulations, but will have similar numbering, relevant sections are cited as ``Sec. ----.'' followed by a number, unless otherwise noted.

\11\ The Board and the OCC note that the authority in paragraph (a) of their respective rules supplements their authority to implement the S.A.F.E. Act, for example, Section 11 of the Federal Reserve Act (12 U.S.C. 248(a)) for the Board and section 5239A of the Revised Statutes (12 U.S.C. 93a) for the OCC.  
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As in the proposal, paragraph (c)(1) of Sec. ----.101 of the final rule identifies the specific entities that employ individual mortgage loan originators--entities referred to in this SUPPLEMENTARY INFORMATION section as Agency-regulated institutions--and that also are covered by this rule. Under the S.A.F.E. Act, a mortgage loan originator must be Federally-registered if that individual is an employee of a depository institution, an employee of any subsidiary owned and controlled by a depository institution and regulated by a Federal banking agency, or an employee of an institution regulated by the FCA.\12\ Section 1503(2) of the S.A.F.E. Act (12 U.S.C. 5102(2)) provides that ``depository institution'' has the same meaning as in section 3 of the Federal Deposit Insurance Act (FDI Act),\13\ and includes any credit union. As we noted in the proposal, the definition of ``depository institution'' in the FDI Act and in the S.A.F.E. Act does not include bank or savings association holding companies or their non-depository subsidiaries. Employees of these entities

[[Page 51626]]

who act as mortgage loan originators are not covered by the Federal

registration requirement and, therefore, must comply with State licensing and registration requirements.

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\12\ Agency-regulated institutions and their employees acting within the scope of their employment are subject only to the Federal registration requirements of the S.A.F.E. Act as implemented by the Agencies through this rulemaking, even if registration in the State system is available before Federal Registration. In consultation with the Agencies, CSBS/SRR are modifying the Registry so that it can accept registrations from employees of Agency-regulated institutions. An employee of an Agency-regulated institution may be engaged in activities outside the scope of his or her employment at an Agency-regulated institution that subject that employee to State licensing and registration requirements, such as dual employment at a non-Agency-regulated institution.

\13\ Section 3 of the FDI Act defines ``depository institution'' as any bank or savings association. The term ``bank'' in section 3 of the FDI Act means any national bank, State bank, Federal branch, and insured branch and includes any former savings association. The term ``savings association'' means any Federal savings association, State savings association, and any corporation other than a bank that the FDIC and the OTS jointly determine to be operating in substantially the same manner as a savings association. 12 U.S.C. 1813.

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With respect to the OCC, this rule applies to national banks, Federal branches and agencies of foreign banks, their operating subsidiaries, and their employees who are mortgage loan originators.\14\ For the Board, this rule applies to member banks of the Federal Reserve System (other than national banks); their respective subsidiaries that are not functionally regulated within the meaning of section 5(c)(5) of the Bank Holding Company Act, as amended (12 U.S.C. 1844(c)(5)); \15\ branches and agencies of foreign banks (other than Federal branches, Federal agencies and insured State branches of foreign banks); commercial lending companies owned or controlled by foreign banks; \16\ and their employees who act as mortgage loan originators. For the FDIC, this rule applies to insured State nonmember banks (including State-licensed insured branches of foreign banks) and their subsidiaries (except brokers, dealers, persons providing insurance, investment companies, and investment advisers) and their employees who are mortgage loan originators. For the OTS, this rule applies to savings associations and their operating subsidiaries, and their employees who are mortgage loan originators. For the FCA, this rule applies to FCS institutions that originate residential mortgage loans under sections 1.9(3), 1.11 and 2.4(a)(2) and (b) of the Farm Credit Act of 1971, as amended (12 U.S.C. 2017(3), 2019, and 2075(a)(2) and (b)), and their employees who are mortgage loan originators.\17\ For the NCUA, this rule applies to credit unions and their employees who are mortgage loan originators. Because non-Federally insured credit unions generally are not Federally regulated institutions, special registration conditions apply to them as discussed below.

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\14\ The S.A.F.E. Act's definition of depository institution includes Federal branches of foreign banks but not Federal agencies of foreign banks. Federal agencies are authorized by sections 1(b)(1) and 4(b) of the International Banking Act of 1978 (12 U.S.C.

3101(b)(1) and 3102(b)) and 12 CFR 28.11(g) and 28.13(a)(1) of the OCC's regulations to lend money, which would include originating mortgage loans, subject to the same duties, restrictions, penalties, liabilities, conditions, and limitations that would apply to a national bank. Thus, the Federal registration requirements apply to Federal agencies of foreign banks to the extent the registration requirements apply to national banks.

\15\ The S.A.F.E. Act, by its terms, applies the Federal registration requirements to employees of a subsidiary that is owned and controlled by a State member bank and regulated by the Board. For purposes of the scope of the Board's rules, these subsidiaries are described as those that are not functionally regulated within the meaning of section 5(c)(5) of the Bank Holding Company Act. Subsidiary has the meaning given that term in section 2 of the Bank Holding Company Act (12 U.S.C. 1841), as applied to State member banks.

\16\ The Board notes that its final rule covers branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks) and commercial lending companies owned or controlled by foreign banks pursuant to its authority under the International Banking Act (IBA) (Chapter 32 of Title 12) to issue such rules it deems necessary in order to perform its respective duties and functions under the chapter and to administer and carry out the provisions and purposes of the chapter and prevent evasions thereof. 12 U.S.C. 3108(a). The Board notes that the IBA provides, in relevant part, that the above entities shall conduct their operations in the United States in full compliance with provisions of any law of the United States which impose requirements that protect the rights of consumers in financial transactions, to the extent that the branch, agency, or commercial lending company engages in activities that are subject to such laws, and apply to State-chartered banks, doing business in the State in which such branch or agency or commercial lending company, as the case may be, is doing business. 12 U.S.C. 3106a(1). Under the Board's final rule, the above entities would be subject to the same Federal registration requirements as Federal branches, Federal agencies, and insured State branches of foreign banks, which are covered in the OCC and FDIC rules, respectively.

\17\ Some FCS associations may not exercise their statutory authority to make residential mortgage loans, and FCS banks no longer engage in residential mortgage origination activities because they have transferred their direct lending authority to their affiliated associations. The FCA emphasizes that employees of FCS banks and associations that do not engage in residential mortgage loan origination activities are not subject to the registration requirements of the S.A.F.E. Act and these regulations. The Federal Agricultural Mortgage Corporation (Farmer Mac) is an FCS institution that among other activities operates a secondary market for rural residential mortgage loans. The FCA determines that Farmer Mac employees are not subject to the registration requirements of the S.A.F.E. Act and these implementing regulations because Farmer Mac does not engage in mortgage loan origination activities for rural residents. The Farmer Mac secondary market is modeled after Fannie Mae and Freddie Mac, and the provisions of the S.A.F.E. Act do not expressly apply to employees at Fannie Mae and Freddie Mac.

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As discussed in Section II, a number of commenters objected to the application of this registration requirement to employees of Agency-regulated depository institutions because, in general, they are subject

to regular examinations, would be overly burdened by the registration requirement, and already closely supervise the activities of their employees. Some commenters noted that this registration requirement would penalize them for the inappropriate actions of other lenders that led to the enactment of the S.A.F.E. Act.

The Agencies note that the registration of mortgage loan originators employed by Agency-regulated institutions is explicitly required by the S.A.F.E. Act. The statute imposes a registration requirement, rather than a licensing requirement, on the employees of Agency-regulated institutions. The Agencies note that such institutions (other than non-Federally insured credit unions) already are subject to a Federal regime of examination and supervision. The S.A.F.E. Act does not authorize the Agencies to create exceptions to the registration requirement other than the de minimis exception described below.

Some credit union-related commenters discussed whether the final rule should apply to credit union service organizations (CUSOs). The NCUA notes that it answered these questions in a public legal opinion letter 08-0843, dated October 8, 2008, available on NCUA's Web site, <http://www.ncua.gov>. The S.A.F.E. Act treats employees of depository institution subsidiaries the same as employees of the depository institution, if the subsidiary is owned and controlled by the depository institution and regulated by a Federal banking agency.\18\ In the case of CUSOs, however, NCUA does not have direct regulatory oversight or enforcement authority. Instead, NCUA regulation permits Federal credit unions to invest in or lend only to CUSOs that conform to the limits specified in the CUSO rule, 12 CFR Part 712.\19\ NCUA has not, historically, asserted that CUSOs or their employees are exempt from applicable State licensing regimes, and the S.A.F.E. Act does not alter that approach. Nor do NCUA regulations have any applicability to CUSOs owned by State-chartered credit unions.\20\ Accordingly, individuals employed by CUSOs that engage in residential mortgage loan origination activities, whether the CUSO is owned by a State or a Federal credit union, would need to be licensed in accordance with applicable State requirements.

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\18\ Section 1503(7)(A)(ii) of the S.A.F.E. Act (12 U.S.C. 5102(7)(A)(ii)).

\19\ 12 CFR part 712.

\20\ In April 2008, the NCUA Board issued a proposed rule that would extend some provisions of the CUSO rule to State-chartered institutions. See 73 FR 23982 (May 1, 2008). The proposal has not yet been finalized.

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Some commenters also asked whether non-Federally insured credit unions must register with the Registry. NCUA's proposed rule applied to Federally insured credit unions and their employees who are mortgage loan originators but commenters requested NCUA include non-Federally insured credit unions and their employees who are mortgage loan originators in the scope of NCUA's final rule. The S.A.F.E. Act requires the Agencies to develop and maintain a system for registering employees of a depository institution,

[[Page 51627]]

defined to include ``any credit union.'' \21\ Consistent with the S.A.F.E. Act and in response to comments, NCUA's final rule provides for a system for registering employees of any credit union. NCUA's final rule applies to Federally insured credit unions and their

employees who are mortgage loan originators and non-Federally insured credit unions and their employees who are mortgage loan originators when certain conditions are met and formal agreements reached.

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\21\ Sections 1507(a)(1) and 1503(1) and (2) of the S.A.F.E. Act (12 U.S.C. 5106(a)(1) and 5102(1) and (2)).

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When drafting its final rule, NCUA considered that, with the exception of non-Federally insured credit unions, entities covered by the Federal registration system are subject to Federal oversight. Entities subject to the Federal registration system are labeled throughout the rule as ``Agency-regulated institutions.'' Unlike Federal credit unions and Federally insured State-chartered credit unions, non-Federally insured credit unions are neither Federally insured nor subject to NCUA's oversight. In order for non-Federally insured credit unions and their employees who are mortgage loan originators to qualify for Federal registration, they must be subject to oversight for purposes of compliance with NCUA's rule. Therefore, due to the unique nature of non-Federally insured credit unions compared with all other credit unions, NCUA is working with State supervisory authorities in those States with non-Federally insured credit unions to implement an oversight program to enable them to participate in the Federal registration system.

The oversight program will require a State supervisory authority seeking to allow non-Federally insured credit unions in its State to participate in the Federal registration system to enter into a memorandum of understanding (MOU) with NCUA. The MOU will need to address various requirements such as, but not limited to: The requirement for an applicable State supervisory authority to maintain such an MOU to allow non-Federally insured credit unions and their employees in its State to have continuous access to, and use of, the registry; examination of the non-Federally insured credit unions' compliance with the rule by either the State supervisory authority or NCUA; non-Federally insured credit unions' payment of examination fees and payment for any necessary Registry modifications; and enforcement authority and penalties for non-Federally insured credit unions for noncompliance. Any information provided by the Registry to the public about a non-Federally insured credit union and its employees must include a clear and conspicuous statement that the non-Federally insured credit union is not insured by the National Credit Union Share Insurance Fund.

If any State supervisory authority where non-Federally insured credit unions are located fails to enter into or maintain an agreement with NCUA for this registration process and oversight, the non-Federally insured credit unions and their employees in that State cannot register or maintain an existing registration under the Federal system. They instead must use the appropriate State licensing and registration system, or if the State does not have such a system, the licensing and registration system established by the Department of Housing and Urban Department (HUD) for mortgage loan originators and their employees.\22\ In addition, NCUA's final rule requires that the State supervisory authorities who seek to have non-Federally insured credit unions in their States participate in the Federal registration system enter into the applicable agreement with NCUA on or before the date the Agencies provide in a public notice that the Registry is accepting initial registrations.

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\22\ HUD published its proposed rule to establish this system on December 15, 2009. See 74 FR 66548.

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Finally, NCUA acknowledges that, while it is an added requirement for non-Federally insured credit unions to have their State supervisory authorities enter into an agreement with NCUA, this is necessary to have any oversight or enforcement authority at all over these entities. Absent any agreement, non-Federally insured credit unions cannot participate in the Federal registration system. They are not subject to a Federal regime of examination and supervision, and are unlike any other Agency-regulated depository institutions covered under this rule. Therefore, they are subject to a different procedure to participate in the same Federal registration system.

Section 1507 of the S.A.F.E. Act (12 U.S.C. 5106) requires the Federal banking agencies to make such de minimis exceptions ``as may be appropriate'' to the Act's registration requirements.\23\ Paragraph (c)(2) of Sec. ----.101 of the proposed rule provided a de minimis exception based on an individual's and, in the aggregate, an institution's total number of residential mortgage loans originated in a rolling 12-month period. Specifically, the proposal provided that the registration requirements would not apply to an employee of an Agency-regulated institution if, during the last 12 months: (1) The employee acted as a mortgage loan originator for 5 or fewer residential mortgage loans; and (2) the Agency-regulated institution employs mortgage loan originators who, while excepted from registration pursuant to this section, in the aggregate, acted as a mortgage loan originator in connection with 25 or fewer residential mortgage loans.

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\23\ See S.A.F.E. Act at sections 1507(c) (12 U.S.C. 5106(c)) (de minimis exceptions), 1504(a)(1)(A) (12 U.S.C. 5103(a)(1)(A)) (requirement to register), 1504(a)(2) (12 U.S.C. 5103(a)(2)) (requirement to obtain a unique identifier). As discussed in the Supplementary Information section of the proposed rule, the FCA has authority under section 5.17(a)(11) of the Farm Credit Act of 1971, as amended, 12 U.S.C. 2252(a)(11), to apply the de minimis exception to FCS institutions. Section 5.17(a)(11) of the Farm Credit Act authorizes the FCA to ``exercise such incidental powers as may be necessary or appropriate to fulfill its duties. \* \* \*'' In this case, the FCA is exercising its incidental powers to fulfill the requirement in the S.A.F.E. Act that it work together with the Federal banking agencies to develop and maintain a system for registering residential mortgage loan originators at Agency-regulated institutions with the Registry. A coordinated and uniform approach to the de minimis exception among the Agencies is appropriate because it best fulfills the objectives of the S.A.F.E. Act.

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The Agencies received many, and varied, comments on this de minimis exception. Most commenters supported an exception to the rule's requirements. However, a majority of the commenters did not agree with the proposal's formulation of this exception, nor did they agree on an alternative. Specifically, some commenters requested that the Agencies raise the threshold number of loans originated by an individual mortgage loan originator and/or the institution so that more low-volume originators would qualify for the exception. These commenters indicated that, because of its narrowness, too few institutions would be able to use the exception as proposed and others would unnecessarily register

employees solely to avoid accidental non-compliance with the rule. Some, however, thought that the proposed threshold numbers were too high, and could cause an institution to spread its originations over numerous employees to avoid registration. Still others said that the proposed de minimis exception would be fairer, and much easier to apply, if the threshold limitation applied only to the employee or to the institution, but not both. A Federal government agency commenter found that the proposed definition of de minimis would make the rule unduly burdensome on small community banks.

A number of commenters also suggested that the final rule base a de

[[Page 51628]]

minimis exception on a percentage of total loans or the total loan volume made at each institution, instead of the number of loans. Some trade associations and smaller institutions requested that the de minimis exception be based on an institution's asset-size, with suggestions ranging from the Home Mortgage Disclosure Act \24\ threshold for institutions regulated by a Federal banking agency, currently set by the Board at \$39 million in assets,\25\ to \$1 billion, which would be consistent with exceptions for small institutions in other provisions of law. Other commenters opposed an asset-based approach, with larger Agency-regulated institutions noting that the exceptions should not be structured to benefit only small institutions.

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\24\ 12 U.S.C. 2801 et seq.

\25\ See 12 CFR 203.2 (Regulation C).

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Other commenters wanted the exception to be applied to institutions with no prior history of mortgage origination fraud or to institutions with good performance histories from previous supervisory examinations, regardless of the number of loans originated. Some commenters also suggested that the exception should apply only to individuals who do not regularly or principally function as a mortgage loan originator. Some commenters noted that the exception could instead be based on the percentage of time an employee spends engaged in the origination of residential mortgage loans.

The Agencies also received conflicting comments on whether to aggregate a subsidiary's loans with the parent institution for determining de minimis qualification. One commenter opposed such aggregation, while another stated that an institution should be required to aggregate its loan data with that of its subsidiaries so that institutions could not ``game'' the system by creating new subsidiaries each time a subsidiary approaches the de minimis limit. Still other commenters pointed out that it would be very time consuming and burdensome to game the de minimis limit--rendering gaming opportunities essentially unrealistic.

Many commenters noted the complexity of the proposed exception. One commenter stated that the de minimis exception would not have any significant effect because the complexity of complying with it would outweigh its benefits. Others noted that the proposed exception would be difficult for an institution to monitor and maintain. Some commenters appeared to misinterpret the proposed aggregate exception.

The Agencies agree that the de minimis exception should be simplified, and, in particular, that it should be structured so that it may be utilized by an individual who does not regularly or principally function as a mortgage loan originator employed by any Agency-regulated institution, regardless of the size or loan volume of the institution.



Therefore, the final rule eliminates the aggregate exception and includes only the first prong of the proposed de minimis exception, which applies only to individuals. The final rule also provides that this exception only applies if the employee has never before been registered or licensed through the Registry.

Final Sec. ----.101(c)(2) thus provides that the registration requirements of this section do not apply to an employee of an Agency-regulated institution who has never been registered or licensed through the Registry as a mortgage loan originator and who has acted as a mortgage loan originator for 5 or fewer residential mortgage loans during the last 12 months. In order to prevent manipulation of the registration requirement by structuring this exception to apply to multiple employees who each would not meet the exception's threshold for registration, the final rule prohibits any Agency-regulated institution from engaging in any act or practice to evade the limits of the de minimis exception. The Agencies believe that replacing the proposed institution limit with this anti-evasion prohibition is appropriate and will discourage circumvention of registration requirements without increasing an institution's administrative burden.

Monitoring compliance with the exception as revised should be less burdensome for Agency-regulated institutions. In addition, in the Agencies' view, this revised exception better balances the usefulness of the exception to Agency-regulated institutions and their mortgage loan originators with the consumer protection and fraud prevention purposes of the S.A.F.E. Act. Although the final rule specifically applies this anti-evasion provision to the de minimis exception, Agency-regulated institutions must not engage in any act or practice to evade any other requirement of the S.A.F.E. Act or this final rule.

The Agencies note that, as with the proposal, an employee must register with the Registry prior to engaging in mortgage loan origination activity that exceeds the exception limit. In addition, the Agencies note that the de minimis exception contained in the final rule is voluntary; it does not prevent a mortgage loan originator who meets the criteria for the exception from registering with the Registry if the originator chooses to do so or if his or her employer requires registration.

The Agencies note that the Federal Housing Finance Agency (FHFA) has directed Fannie Mae and Freddie Mac to require all mortgage loan applications to include the mortgage loan originator's unique identifier. For Agency regulated institutions, Fannie Mae and Freddie Mac have announced that this requirement will apply to applications dated on or after the date the Agencies require mortgage loan originators to obtain unique identifiers.\26\ Agency-regulated institutions should be aware of this requirement and any future guidance that FHFA may issue to address the Agencies' implementation of the Federal registration process, including the de minimis exception.

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\26\ See FNMA LL 02-2009: New Mortgage Loan Data Requirements (02/13/09); Fannie Mae Announcement 09-11, Mortgage Loan Data Requirements Update (10/6/09) and Announcement 09-11, Mortgage Loan Data Requirements Related FAQs (2/4/10); and Freddie Mac Single-Family Seller/Service Guide Bulletin, No: 2009-27 (12/4/09). The Agencies contemplate that the Registry will provide aggregate public data on unique identifier information stored in the system to Fannie Mae and Freddie Mac for compliance purposes.

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The Agencies received a comment from one large financial institution requesting that we clarify whether the failure of a

mortgage loan originator to register pursuant to this rulemaking has any substantive impact on a mortgage loan made by an institution that employs that originator. Neither the S.A.F.E. Act nor this final rule provides that a mortgage loan originator's failure to register as required affects the validity or enforceability of any mortgage loan contract made by the institution that employs the originator.

A few commenters suggested that in addition to the registration requirements, the final rule should impose educational and testing requirements on mortgage loan originators, as the S.A.F.E. Act does for State-licensed originators. The Agencies decline to impose such requirements. The S.A.F.E. Act does not include educational or testing requirements for mortgage loan originators employed by Agency-regulated institutions. In addition, as noted previously, the statute imposes different requirements on mortgage loan originators employed by Agency-regulated institutions. The Agencies note that these institutions already are subject to extensive Federal oversight, including regular on-site examination of their mortgage lending activities.

[[Page 51629]]

#### Section ----.102--Definitions

Section ----.102 defines the terms used in the final rule. If a term is defined in the S.A.F.E. Act, the Agencies generally have incorporated the same definition in the final rule. The final rule also includes other definitions currently used by the NMLS in order to promote consistency and comparability, insofar as is feasible, between Federal registration requirements and the States' licensing requirements.

Annual renewal period. Proposed Sec. ----.102(a) required that a mortgage loan originator renew his or her registration annually during the annual renewal period and defined this period as November 1 through December 31 of each year. This is the same annual renewal period currently provided by the NMLS to mortgage loan originators regulated by a State.

This time period for renewals generated many comments. A few commenters suggested that the renewal period for Agency-regulated institutions should be at a different time of year than for originators regulated by a State. Others stated that the renewal period should be based upon the original registration date or original hire date, noting that a staggered registration process would be less burdensome for the Registry. Another commenter suggested that the employing institution determine its own renewal period for its employees. Still other commenters requested that this renewal period be lengthened from 60 to 90 days.

The Agencies decline to change the dates for the annual renewal period. As indicated above, the current system for originators regulated by a State is configured for an annual renewal period from November 1 through December 31. A different renewal period for originators employed by Agency-regulated institutions would involve functionality changes to the existing system, adding costs and lengthening the implementation time. In addition, the Agencies note that different renewal periods could cause confusion and added burden to those originators who may work for both a State-regulated and Agency-regulated institution or who may switch from a State-regulated institution to an Agency-regulated institution during the year, and to employers of such originators, as well as for institutions that control both State- and Agency-regulated institutions. For these same reasons, the Agencies also decline to increase the renewal period from 60 to 90 days. Therefore, the final rule retains the proposed renewal period of

November 1 through December 31 of each year.

Mortgage loan originator. The proposed definition of ``mortgage loan originator'' was based on the definition of the term ``loan originator'' included in the S.A.F.E. Act at section 1503(3) (12 U.S.C. 5102(3)). As defined by the S.A.F.E. Act, this term means an individual who takes a residential mortgage loan application and offers or negotiates terms of a residential mortgage loan for compensation or gain. The term does not include an individual who is not a mortgage loan originator and: (1) Performs purely administrative or clerical tasks on behalf of an individual who is a mortgage loan originator; (2) performs only real estate brokerage activities (as defined in section 1503(3)(D) of the S.A.F.E. Act (12 U.S.C. 5102(3)(D)) \27\ and is licensed or registered as a real estate broker in accordance with applicable State law, unless the individual is compensated by a lender, a mortgage broker, or other loan originator or by any agent of such lender, mortgage broker, or other mortgage loan originator; or (3) is solely involved in extensions of credit related to timeshare plans, as that term is defined in 11 U.S.C. 101(53D).\28\  
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\27\ The S.A.F.E. Act defines ``real estate brokerage activity'' to mean any activity that involves offering or providing real estate brokerage services to the public, including: (i) Acting as a real estate agent or real estate broker for a buyer, seller, lessor, or lessee of real property; (ii) bringing together parties interested in the sale, purchase, lease, rental, or exchange of real property; (iii) negotiating, on behalf of any party, any portion of a contract relating to the sale, purchase, lease, rental, or exchange of real property (other than in connection with providing financing with respect to any such transaction); (iv) engaging in any activity for which a person engaged in the activity is required to be registered or licensed as a real estate agent or real estate broker under any applicable law; and (v) offering to engage in any activity, or act in any capacity, described in clause (i), (ii), (iii), or (iv), above. S.A.F.E. Act at section 1503(3)(D) (12 U.S.C. 5102(3)(D)). Nothing in this rule would constitute an authorization for Agency-regulated institutions to engage in real estate brokerage, or any other activity, for which the institution does not have independent authority pursuant to Federal or State law, as applicable.

\28\ ``Timeshare plan'' is defined in 11 U.S.C. 101(53D) as an interest purchased in any arrangement, plan, scheme, or similar device, but not including exchange programs, whether by membership, agreement, tenancy in common, sale, lease, deed, rental agreement, license, right to use agreement, or by any other means, whereby a purchaser, in exchange for consideration, receives a right to use accommodations, facilities, or recreational sites, whether improved or unimproved, for a specific period of time less than a full year during any given year, but not necessarily for consecutive years, and which extends for a period of more than three years. A ``timeshare interest'' is that interest purchased in a timeshare plan which grants the purchaser the right to use and occupy accommodations, facilities, or recreational sites, whether improved or unimproved, pursuant to a timeshare plan.  
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For purposes of the definition of mortgage loan originator, section 1503(3)(C) of the S.A.F.E. Act (12 U.S.C. 5102(3)(C)) defines ``administrative or clerical tasks'' to mean: (1) The receipt, collection, and distribution of information common for the processing or underwriting of a loan in the mortgage industry; and (2)

communication with a consumer to obtain information necessary for the processing or underwriting of a residential mortgage loan. The proposal included this definition as well, with one nonsubstantive difference-- the proposal used the phrase ``residential mortgage industry'' instead of ``loan in the mortgage industry'' in the first prong of the definition.

The Agencies included an appendix to the proposal that listed examples of the types of activities the Agencies consider to be both within and outside the scope of residential mortgage loan origination activities. The final rule retains this appendix with certain changes as discussed in this SUPPLEMENTARY INFORMATION section. Individuals who receive ``compensation or gain'' as used in the definition of mortgage loan originator and described in this appendix include individuals who earn salaries, commissions or other incentive, or any combination thereof.

The Agencies specifically requested comment on whether the definition of ``mortgage loan originator'' should cover individuals who modify existing residential mortgage loans, engage in approving loan assumptions, or engage in refinancing transactions and, if so, whether these individuals should be excluded from the definition. While a few commenters believed the Agencies should cover individuals engaged in such transactions, the majority of commenters on this issue stated that this rulemaking should not cover these individuals. In general, they indicated that mortgage loan modifications and assumptions are very different from mortgage loan originations, and that employees engaged in these transactions do not meet the S.A.F.E. Act's definition of mortgage loan originator. Specifically, commenters indicated that these employees neither accept residential mortgage loan applications nor negotiate the terms of a new residential mortgage loan. Instead, they renegotiate an existing loan with the goals of mitigating any loss to the institution and, in the case of modifications, providing the borrower with a more affordable payment option or other type of modification, or, in the case of assumptions, replacing the party responsible for repaying the mortgage loan. Many commenters indicated that their employees who engage in modifications and assumptions do not

[[Page 51630]]

ever originate mortgage loans, and that modifications and assumptions are performed in different departments of the institution. Many commenters also noted that applying the S.A.F.E. Act's registration requirements to employees engaged in loan modifications and assumptions could significantly hamper loan modification efforts.

The determining factor in whether the S.A.F.E. Act applies to residential mortgage loan-related transactions is whether the employee engaged in the transaction meets the definition of ``mortgage loan originator.'' In general, neither modifications nor assumptions result in the extinguishment of an existing loan and the replacement by a new loan, but rather the terms of an existing loan are revised or the loan is assumed by a new obligor. Thus, Agency-regulated institution employees engaged in these activities typically do not take loan applications, within the meaning of the S.A.F.E. Act. Therefore, the Agencies conclude that the S.A.F.E. Act's definition of ``mortgage loan originator'' generally would not include employees engaged in loan modifications or assumptions because they typically would not meet the two-prong test of this definition. However, if an employee engaged in a transaction labeled a loan ``modification'' or ``assumption'' can be found to meet the definition of ``mortgage loan originator,'' due to the nature of the specific transaction in question, he or she would be subject to the S.A.F.E. Act and this final rule. The substance of a

transaction, not the label attached to it, is determinative of whether the Agency-regulated institution employee associated with it is a mortgage loan originator for purposes of this rule. For example, the Agencies believe that Agency-regulated institution employees engaged solely in bona fide cost-free loss mitigation efforts that result in reduced and sustainable payments for the borrower generally would not meet the definition of ``mortgage loan originator.'' In this regard, it should be noted that third parties involved in foreclosure prevention activities for compensation or gain, although outside the scope of this rulemaking, may be subject to licensing and registration pursuant to State law.

The Agencies sought comment on whether the individuals who engage in certain refinancing transactions, specifically cash-out refinancing with the same lender, should be excluded from the definition of residential mortgage loan originator. Some industry commenters did not believe that such an exclusion was appropriate primarily because of the nature of a refinancing as a new loan and the potential for consumer abuse in these transactions. Other commenters also requested that we exclude individuals engaged in refinancings from the final rule's definition of mortgage loan originator, and that refinancings be excluded from the final rule's definition of residential mortgage loan, if the refinancing involves the same lender and the borrower obtained no cash proceeds. We decline to make this change. Refinancings are new loans, regardless of the lender, the loan terms, or proceeds, that involve a new application and an offer or negotiation of new loan terms. If an individual engaged in a refinancing transaction of a residential mortgage loan meets the two prongs of the definition of mortgage loan originator, he or she must comply with the requirements of the S.A.F.E. Act and this final rule.\29\  
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\29\ Some commenters noted that the Agencies should require only one mortgage loan originator for each mortgage loan. The Agencies decline to take this approach because the S.A.F.E. Act defines a mortgage loan originator according to the two-prong test set forth in the statute.  
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Other commenters suggested that the Agencies exclude loan servicing personnel from the requirements of this rulemaking. We decline to take this suggested approach because the S.A.F.E. Act definition is based on the activities of mortgage loan origination, rather than the job classification of the individual. An individual, regardless of job title, is a mortgage loan originator if he or she engages in the activities of mortgage loan origination within the meaning of the S.A.F.E. Act. For example, if a loan servicing employee of an Agency-regulated institution mainly performs loan servicing activities but also occasionally engages in residential mortgage loan origination, that person is a mortgage loan originator, regardless of whether he or she is called ``servicing personnel.'' On the other hand, for example, as discussed above in connection with loan modifications, a loan servicing employee engaged solely in bona fide cost-free loss mitigation efforts which result in reduced and sustainable payments for the borrower generally would not meet the definition of ``mortgage loan originator.'' Loan servicing employees of Agency-regulated institutions must comply with the registration requirements of the final rule if they meet both prongs of the definition of ``mortgage loan originator,'' unless they qualify for the de minimis exception under Sec. ----.101(c)(2) of the final rule. Some commenters requested clarification that, when a servicing employee of an Agency-regulated

institution works with a borrower to collect unpaid taxes or other costs pursuant to a repayment or collection plan, the employee is not acting as a mortgage loan originator under the Agencies' rules. The Agencies agree that such activities would generally not meet the two-prong test of this definition.

Some commenters asked the Agencies to explain whether the S.A.F.E. Act and this rule apply to residential mortgage loan originations made through an automated underwriting system, whereby an applicant inquires about, applies for, and/or receives a decision on an application electronically through an institution's Web site.\30\ Although some institutions may choose to establish an automated system to collect application information and make an initial decision on a loan application, from a risk management and compliance perspective, an institution is expected to set the system parameters and monitor system output for compliance with various laws, regulations, and guidance on an ongoing basis. Such institutions are expected to register employees involved in that process who meet the definition of ``mortgage loan originator,' ' as appropriate. As indicated above, the Agencies note that Fannie Mae and Freddie Mac are requiring all residential mortgage loan applications dated on or after the compliance date for the unique identifier requirement to include the mortgage loan originator's unique identifier.\31\ Institutions should keep apprised of any future guidance FHFA may issue to address this requirement.

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\30\ Section 107(5)(A)(x) of the Federal Credit Union Act (12 U.S.C. 1757(5)(A)(x)) requires all loans to be approved by a credit committee or loan officer. For all Federal credit unions, and to the extent State-chartered credit unions operate under a similar State law or regulation, the statutory and regulatory definition of mortgage loan originator is met and the S.A.F.E Act does apply.

\31\ See footnote 26.

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For the reasons discussed above, the final rule includes the definition of ``mortgage loan originator' ' as proposed, with one technical change to the definition of ``administrative or clerical tasks' ' to make it identical to the definition of this term in section 1503(3)(C) of the S.A.F.E. Act (12 U.S.C. 5102(3)(C)).

Nationwide Mortgage Licensing System and Registry or Registry. Section ----.102(c) of the proposed rule's definition of these terms is based on the definition included in section 1503(5) of the S.A.F.E. Act (12 U.S.C. 5102(5)). Specifically, these terms mean the system developed and maintained by CSBS and the AARMR for the State licensing and registration of State-licensed mortgage loan originators and the registration of mortgage loan

[[Page 51631]]

originators pursuant to section 1507 of the S.A.F.E. Act (12 U.S.C. 5106). As explained above, CSBS and the AARMR have established an online system, NMLS, that currently supports the licensing and registration of mortgage loan originators regulated by a State. The Agencies are working with CSBS to modify the NMLS to support the registration of mortgage loan originators employed by Agency-regulated institutions, and will rename this system the Nationwide Mortgage Licensing System and Registry. The Agencies received no comments on this definition and adopt it as proposed.

Registered mortgage loan originator. Pursuant to section 1503(7) of the S.A.F.E. Act (12 U.S.C. 5102(7)), the proposed rule defined this

term to mean any individual who meets the definition of mortgage loan originator, is an employee of an Agency-regulated institution, and is registered pursuant to the requirements of this rule with, and maintains a unique identifier through, the Registry. This definition is the same as that included in the S.A.F.E. Act, except that the Agencies have modified it to apply only to individuals registered pursuant to regulations issued by the Agencies. The Agencies received no comments on this definition and adopt it as proposed.

Residential mortgage loan. As in section 1503(8) of the S.A.F.E. Act, (12 U.S.C. 5102(8)), the proposal defined ``residential mortgage loan'' as any loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling (as defined in section 103(v) of the Truth in Lending Act (TILA) (15 U.S.C. 1602(v)) \32\ or residential real estate upon which is constructed or intended to be constructed a dwelling. In addition, the proposal specifically included refinancings, reverse mortgages, home equity lines of credit and other first and second lien loans secured by a dwelling in this definition in order to clarify that originators of these types of loans are covered by the rule's requirements.

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\32\ TILA defines ``dwelling'' as a residential structure or mobile home which contains one-to-four family housing units, or individual units of condominiums or cooperatives. 15 U.S.C. 1602(v). Board regulations and commentary include in this definition any residential structure that contains one to four units, whether or not that structure is attached to real property, and includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence. See 12 CFR 226.2(a)(19) (Regulation Z).

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One commenter suggested that ancillary liens on an underlying mortgage loan or liens taken to provide consumers with potential tax advantages should not be considered residential mortgage loans. In addition, another commenter asked that the definition of residential mortgage loan include an exception to exclude seller-sponsored financing of the sale of lender-owned property. The Agencies decline to adopt these exclusions to the definition of ``residential mortgage loan'' and adopt this definition as proposed. These types of loans clearly fall within the statutory definition of ``residential mortgage loans,'' and the S.A.F.E. Act makes no exceptions for these two situations. We do clarify, however, that this definition does not include loans for business, commercial, or agricultural purposes that use as collateral property that meets the definition of a ``dwelling.''

As indicated in the SUPPLEMENTARY INFORMATION section to the proposed rule, the FCA emphasizes that section 1503(8) of the S.A.F.E. Act (12 U.S.C. 5102(8)) and Sec. ----.102(e) do not amend or supersede sections 1.11(b) and 2.4(b) of the Farm Credit Act of 1971, as amended (12 U.S.C. 2019(b) and 2075(b)), and their implementing regulation, 12 CFR 613.3030(c), which establish the purposes for which FCS institutions may originate residential mortgage loans for eligible rural home borrowers.

Unique Identifier. The proposed rule's definition of this term was almost identical to that in section 1503(12) of the S.A.F.E. Act (12 U.S.C. 5102(12)). The Agencies received no comments on this definition and adopt it as proposed. Specifically, the final rule defines ``unique identifier'' to mean a number or other identifier that: (1) Permanently identifies a registered mortgage loan originator; (2) is assigned by

protocols established by the Registry and the Agencies to facilitate electronic tracking of mortgage loan originators, and uniform identification of, and public access to, the employment history of and the publicly adjudicated disciplinary and enforcement actions against mortgage loan originators; and (3) must not be used for purposes other than those set forth in the S.A.F.E. Act.

Other terms. The Agencies note that Sec. ----.103(d) of the proposed and final rule uses the terms ``control'' and ``financial services-related'' in the descriptions of the information that is required of an employee who is a mortgage loan originator. These terms are currently defined in the Web-based MU4 form collecting information on State-licensed mortgage loan originators. In order to promote consistency of the information collected for Agency-regulated and State-licensed mortgage loan originators, the Agencies reiterate that the MU4 form's definitions of those two terms also will be used in the Web-based form collecting information on Agency-regulated mortgage loan originators and, therefore have not defined them in this rulemaking.\33\  
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\33\ The Registry currently defines ``control'' as the power, directly or indirectly, to direct the management or policies of a company, whether through ownership of securities, by contract, or otherwise. Any person that (i) is a general partner or executive officer, including Chief Executive, Chief Financial Officer, Chief Operations Officer, Chief Legal Officer, Chief Credit Officer, Chief Compliance Officer, Director, and individuals occupying similar positions or performing similar functions; (ii) directly or indirectly has the right to vote 10% or more of a class of a voting security or has the power to sell or direct the sale of 10% or more of a class of voting securities; or (iii) in the case of a partnership, has the right to receive upon dissolution, or has contributed, 10% or more of the capital, is presumed to control that company. The Registry's current definition of ``Financial services-related'' means pertaining to securities, commodities, banking, insurance, consumer lending, or real estate (including, but not limited to, acting as or being associated with a bank or savings association, credit union, Farm Credit System institution, mortgage lender, mortgage broker, real estate salesperson or agent, appraiser, closing agent, title company, or escrow agent).  
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A number of commenters requested that the Agencies define ``employee'' for purposes of this rulemaking to provide more clarity regarding the individuals covered by the rule. Agency-regulated institutions must have a process for identifying which employees of the institution are required to be registered mortgage loan originators.\34\ As the Supreme Court has explained, ``where Congress uses terms that have accumulated settled meaning under \* \* \* the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms \* \* \*. In the past, when Congress has used the term `employee' without defining it, we have concluded that Congress intended to describe the conventional master-servant relationship as understood by common-law agency doctrine.'' \35\ Section 7.07(3)(a) of the Restatement (Third) of Agency explains that ``an employee is an agent whose principal controls or has the right to control the manner and means of the agent's performance of work.'' \36\ The Agencies thus intend that the meaning of ``employee'' under the S.A.F.E. Act and this rule is consistent with the right-to-control test under the common law agency



doctrine. The Agencies note in this regard that the IRS uses the common law right-to-control test as its basis for classification of

[[Page 51632]]

workers as employees.\37\ The result of this test generally determines whether an institution files a W-2 or a 1099 for an individual. The Agencies therefore expect an Agency-regulated institution would identify a mortgage loan originator as an individual subject to this final rule if, following consideration of the relevant facts, the institution determines that the individual is an employee of the Agency-regulated institution.\38\  
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\34\ See Sec. ----.104(a).

\35\ Nationwide Mutual Ins. Co. v. Darden, 503 U.S. 318, 322-23 (1992) (citing Community for Creative Non-Violence v. Reid, 490 U.S. 730, 739-40 (1989) (other citations omitted)).

\36\ Restatement (Third) of Agency Sec. 7.07(3)(a) (2006).

\37\ IRS Publication 1779; see also Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding.

\38\ Agency-regulated institutions that are credit unions sometimes rely upon volunteers to originate mortgage loans. The right-to-control test under the common law agency doctrine likewise applies to these credit unions. Credit union management establishes the policies, procedures, and practices that volunteers use in performing their functions. Therefore, these volunteers qualify as employees of the Agency-regulated institution for purposes of the S.A.F.E. Act and this rule.  
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#### Section ----.103--Registration of Mortgage Loan Originators

Section 1504(a) of the S.A.F.E. Act (12 U.S.C. 5103(a)) prohibits an individual who is an employee of an Agency-regulated institution from engaging in the business of a loan originator without registering as a loan originator with the Registry, maintaining annually such registration, and obtaining a unique identifier through the Registry. As in the proposal and described more specifically below, Sec. -- --.103 of the final rule imposes the responsibility for complying with these requirements on both the individual employee and the employing institution. In addition, both the employee and the employing institution must submit information to the Registry for each registration to be complete. The Agencies note that an employee of an Agency-regulated institution who is not actively engaged in residential mortgage loan activity is not prohibited from registering with the Registry.

Employee registration requirement. In general, Sec. ----.103(a)(1) of the proposed rule required an employee of an Agency-regulated institution who acts as a mortgage loan originator to register with the Registry, obtain a unique identifier, and maintain his or her registration. This section further provided that any employee who is not in compliance with the registration and unique identifier requirements set forth in the proposed rule is in violation of the S.A.F.E. Act and this rule.\39\ The Agencies note that this registration requirement would not apply if the employee qualifies for the de minimis exception.  
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\39\ The OCC, Board, FDIC, and OTS have the authority to take enforcement actions against their respective Agency-regulated institutions and individual employees of those institutions who violate the S.A.F.E. Act and this final rule, pursuant to 12 U.S.C. 1818. The FCA has authority to take enforcement actions against Farm Credit System institutions and individual employees who violate the S.A.F.E. Act and this final rule pursuant to Title V, Part C of the Farm Credit Act of 1971, as amended, 12 U.S.C. 2261 et seq. The NCUA has the authority to take enforcement actions against Federally-insured credit unions and their employees who violate the S.A.F.E. Act and this final rule under 12 U.S.C. 1786. For privately insured credit unions, memoranda of understanding between NCUA and applicable State supervisory authorities will establish enforcement authority.

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The Agencies did not receive substantive comments specifically on this section and therefore adopt it as proposed.

Institution requirement. Proposed paragraph (a)(2) of Sec. -- --.103 provided that an Agency-regulated institution must require its employees who are mortgage loan originators to register with the Registry, maintain this registration, and obtain a unique identifier in compliance with this final rule. This provision also prohibited an Agency-regulated institution from permitting its employees to act as mortgage loan originators unless registered with the Registry pursuant to this final rule, after the applicable implementation periods specified in Sec. Sec. ----.103(a)(3) and (a)(4)(ii) expire.

One commenter objected to this requirement as not being based on statutory language. Although the S.A.F.E. Act does not contain the same express prohibition as in the Agencies' proposed rule, determining the scope of mortgage loan origination activities that subject an individual or institution to the Act's requirements is well within the Agencies' authority to implement the statute. The imposition of this requirement on Agency-regulated institutions implements the purposes of the S.A.F.E. Act and ensures Agency-regulated institutions and their employees comply with all applicable laws. This commenter also stated that this requirement would be difficult to enforce because an employing institution may not know of the activities of its employees outside of their scope of employment at that institution. We agree with this commenter that the language in Sec. ----103(a)(2)(ii) should be clarified so that an institution's oversight of a mortgage loan originator applies only to the extent the originator is acting within the scope of his or her employment at that institution. We therefore adopt Sec. ----.103(a)(2)(ii) with this one change.

Implementation period for initial registrations. Proposed Sec. -- --.103(a)(3) provided a 180-day implementation period for initial registrations beginning on the date the Agencies provide public notice that the Registry is accepting initial registrations. The Agencies have adopted this provision as proposed with one minor change to clarify that the implementation period begins on the date that the Agencies provide in their public notice, not the actual date of the public notice. Pursuant to the proposal, an employee could continue to originate residential mortgage loans without complying with the rule's registration requirement before and during this 180-day period. After this 180-day period expires, any existing employee or newly-hired employee of an Agency-regulated institution who is subject to the registration requirements would be prohibited from originating residential mortgage loans without first meeting such requirements.

The Agencies specifically requested comment on whether this 180-day implementation period would provide Agency-regulated institutions and

their employees with adequate time to complete the initial registration process. The Agencies also inquired as to whether an alternative schedule for implementation and initial registrations would be appropriate, what such an alternative schedule should be, and whether, and how, a staggered registration process should be developed.

The Agencies received many comments on this implementation period. Some commenters supported a 180-day period. Others supported the proposed 180-day implementation period provided that certain conditions are met, such as excluding loan modification and mitigation employees from the registration requirements, allowing batch processing, simplifying the employer verification requirements, and immediate confirmation of registration without delay for fingerprint or background check results.

Other commenters, however, stated that the proposed 180-day implementation period would not provide sufficient time to register the large number of employees subject to the registration requirement, properly train all employees, develop compliance policies, and program and implement system controls. Many noted that a longer period would prevent the Registry from being overwhelmed with registrations. Two commenters, including one Federal agency, stated that additional time will particularly benefit smaller financial institutions. Another commenter indicated that the time, effort, and resources required to meet new systems requirements can be

[[Page 51633]]

extensive, and that a 180-day implementation period for such major changes would be extremely difficult for larger institutions. These commenters suggested an implementation period of nine months to one year. One commenter stated that each Agency should have the flexibility to grant additional time to register in the event the Registry becomes backlogged or inundated with a large volume of registrations. No commenter requested a shorter implementation period.

The Agencies understand that Agency-regulated institutions and their mortgage loan originator employees will face certain implementation issues in complying with the registration requirements established by this rulemaking. However, as indicated above, due to various system modifications and enhancements required to make the existing system capable of accepting Federal registrants, the system is not expected to be available to accept Federal registrations before January 2011. The 180-day implementation period will not begin until the system is available to accept Federal registrations. This in effect provides institutions with an implementation period longer than 180 days as institutions and their employees can begin to implement the final rule's requirements before the Registry is operational, i.e., develop policies and procedures, train employees, gather information needed for registration, and program and implement system controls before registration is required. In addition, CSBS and SRR will provide information to, and assist Agency-regulated institutions in preparation for, registration during this period. The Agencies believe that this additional time will provide mortgage loan originators, and the Agency-regulated institutions that employ them, adequate opportunity to prepare for the registration requirements. Any extension of the 180-day implementation period provided in the final rule will only further delay the registration of residential mortgage loan originators and, as a result, the consumer protection benefits of the S.A.F.E. Act. In addition, as described below, batch processing of at least some information likely will be available, which should make the registration process more efficient for both the institution and the registering employee. For these reasons, the Agencies decline to

provide an implementation period longer than the proposed 180 days.

Many commenters indicated support for a staggered implementation period. Some noted that this could be based on institution size, loan origination volume, or employee qualifiers (such as birth date or last name). Some of these commenters, however, noted that they would support a staggered schedule only if it would provide a registration period of equal length for all registrants. Other commenters supported a staggered process that would give smaller institutions or institutions that do not originate many residential mortgage loans the greatest amount of time to comply with the requirements.

The Agencies agree that a staggered implementation process for those institutions that prefer one would be useful. Such a process would allow institutions to register their employees within specific time periods during the implementation period with the assistance of dedicated staff. Staggered registration would limit the number of originators registering at any one time and spread the registration of originators throughout the implementation period. Although such a schedule mostly would benefit those institutions with the largest number of mortgage loan originators, it also should enable the Registry to accommodate all registrations in a more timely and efficient manner, thereby benefiting all institutions. Accordingly, the Agencies will work with CSBS and SRR to develop a staggered registration schedule for institutions, in particular those that are estimated to have a large number of mortgage loan originators subject to Federal registration, that request such a schedule. This staggered process would occur within the 180-day implementation period in order not to delay the registration of mortgage loan originators and the ability of consumers to fully utilize the Registry. Because institutions that request a staggered registration process would have a dedicated period during which to register within the 180-day period, registration burdens may be eased for these institutions, lessening their need for the full 180-day registration period. Details on this staggered approach will be provided to applicable institutions when they have been finalized and may include the availability of this dedicated staff prior to the start of the registration period.

Special rule for previously registered employees. Under paragraph (a)(4) of Sec. ----.103 of the proposed and final rule, properly registered or licensed mortgage loan originators would not have to register again with the Registry when they change employment by moving from one Agency-regulated institution to another or from a State-regulated institution to an Agency-regulated institution, regardless of whether the change in employment is made voluntarily, through an acquisition or merger of the employee's prior employer, or through a reorganization where previously State-licensed mortgage loan originators become subject to the registration requirements of Agency-regulated institutions. Instead, the employee and employing institution need only update information in the Registry and complete the required authorizations and attestation.

Specifically, proposed paragraph (a)(4) of Sec. ----.103 provided that if a new employee of an Agency-regulated institution had previously registered with, and obtained a unique identifier from, the Registry prior to becoming an employee of that institution and has maintained that registration (or license, if previously employed by a non-Agency-regulated institution), the registration requirements of this final rule are deemed to be met provided that: (1) The employee's employment information in the Registry is updated and the employee has completed the required authorizations and attestation; (2) new fingerprints of the employee are provided to the Registry for a background check, except in the case of mergers, acquisitions or reorganizations; (3) information concerning the new employing

institution is provided to the Registry pursuant to Sec. --  
--.103(e)(1)(i), to the extent the institution has not previously met  
these requirements, and Sec. ----.103(e)(2)(i); \40\ and (4) the  
registration is maintained pursuant to the requirements of Sec. Sec.  
----.103(b) and (e)(1)(ii) as of the date that the employee becomes  
employed by the institution.

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\40\ These provisions require: The institution's name; main  
office address; IRS Employer Tax Identification Number; Research  
Statistics Supervision Discount (RSSD) number; identification of the  
institution's primary Federal regulator; contact information for  
individuals at the institution for Registry purposes; applicable  
subsidiary information, and confirmation that it employs the  
registrant. Information regarding an institution's RSSD number is  
available from the Board.

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Some commenters requested that the Agencies reduce these  
requirements in order to further facilitate the movement of employees  
from one institution to another and prevent unnecessary interruption of  
mortgage origination activity. However, the Agencies believe that the  
current provision adequately reduces regulatory burden on Agency-  
regulated institutions as well as the residential mortgage industry  
when registered mortgage loan originators change employers and will  
allow a mortgage origination transaction in process at the time of the  
employment change to proceed smoothly. It requires less than what would  
be needed to

[[Page 51634]]

complete a new registration and requires only that information  
necessary to update the employee's registration and confirm the  
identity of the originator and the employer, thereby preventing  
fraudulent information from being submitted to the Registry. However,  
we have amended Sec. ----.103(a)(4)(i)(B) to provide that new  
fingerprints are not required to be submitted, pursuant to Sec. --  
--.103(d)(1)(ix), if the registered loan originator has fingerprints on  
file with the Registry that are less than three years old. The Registry  
will use these existing prints for purposes of the background check.  
This three-year age limit is consistent with the procedures to be used  
by SRR for mortgage loan originators licensed by a State. We note that,  
as proposed, the final rule does not require fingerprints or a new  
background check when the change in employers is due to an acquisition,  
merger, or reorganization because these transactions carry a lower risk  
of fraud and identity theft. The Agencies note that institutions should  
still conduct prudent screening of prospective employees to confirm  
their identities.

In response to a comment, the Agencies note that paragraph (a)(4)  
of Sec. ----.103 applies when an employee of an Agency-regulated  
institution becomes an employee of another Agency-regulated  
institution, regardless of whether the entities are affiliated.  
Similarly, when an employee of a subsidiary of an Agency-regulated  
institution becomes an employee of the institution, the requirements of  
Sec. ----.103 apply.

In order to reduce regulatory burden and to prevent an interruption  
in mortgage origination activity, the proposed Sec. ----.103(a)(4)(ii)  
provided a 60-day grace period to comply with the Sec. --  
--.103(a)(4)(i) requirements when a registered mortgage loan originator  
becomes an employee of an Agency-regulated institution as a result of

an acquisition, merger, or reorganization. Some commenters agreed that this 60-day grace period is appropriate and provides the proper balance between implementing the purpose of the S.A.F.E. Act and protecting consumers. Other commenters, however, requested that this period be extended to 90 or 180 days due to the complexity and protracted nature of the merger and acquisition process. Some commenters also requested that a 60-day grace period apply to all changes in employment, regardless of whether the change is the result of a merger or acquisition transaction.

Final Sec. ----.103(a)(4)(ii) retains the proposed 60-day grace period for a change in employers due to acquisitions, mergers, or reorganizations. The Agencies find that 60 days is an adequate time for institutions and their employees to update registrations in the case of these transactions and agree with the commenters who stated that this time period balances the purposes of the S.A.F.E. Act and consumer protection.

Additionally, the Agencies find that a grace period is not necessary when a mortgage loan originator changes employers for other reasons. This situation does not raise the same compliance burden as does an acquisition, merger, or reorganization, in which a large number of employees are switching employers at the same time. Therefore, as proposed, the final rule requires that these registered mortgage loan originators comply with the requirements of Sec. ----.103(a)(4) before they may originate residential mortgage loans for their new employer.

Another commenter requested that the Agencies permit an employer to submit one update concerning all affected employees in the case of an acquisition, merger, or reorganization, rather than having each individual employee submit what is largely identical information about their change in employer. The Agencies agree that this approach would reduce burden for the employee, institution, and the Registry. We specifically have instructed CSBS and SRR to develop a process for these transactions that would allow the bulk transfer of business location and contact information for all mortgage loan originators from one institution to another. However, each individual employee still must complete the authorization and attestation for their own updated registration record.

The Agencies adopt proposed Sec. ----.103(a)(4) with the addition of the language discussed above related to fingerprints in Sec. -- --.103(a)(4)(i)(B). The Agencies also have modified Sec. -- --.103(a)(4) to clarify that an employee of a bank who has been properly registered or licensed as a mortgage loan originator need only update information in the Registry, and complete the required authorizations and attestation, whether that employee is a new employee of the Agency-regulated institution or becomes subject to this final rule while an employee of the institution.

The Agencies note that the registration of a mortgage loan originator who leaves any employer will be recorded as inactive in the Registry until he or she is hired by another entity, his or her record is updated in accordance with the final rule's requirements, and the new employer acknowledges employing the mortgage loan originator through the Registry. The individual will be prohibited from acting as a mortgage loan originator at an Agency-regulated institution until such time as the registration is reactivated, unless covered by the 60-day grace period for acquisitions, mergers, and reorganizations.

Maintaining Registration. Under proposed Sec. ----.103(b)(1)(i), a registered mortgage loan originator must renew his or her registration with the Registry during the annual renewal period, November 1 through December 31 of each year. To renew, the employee must confirm that the information previously submitted to the Registry remains accurate and complete, updating any information as appropriate. Any registration

that is not renewed during this period will become inactive, and the individual will be prohibited from acting as a mortgage loan originator at an Agency-regulated institution until such time as the registration requirements are met. However, an individual who fails to update information during this period may renew his or her registration at any time and does not need to wait until the start of the next annual renewal period. Inactive mortgage loan originators will not be assigned a new unique identifier if they reactivate their registration.

Some commenters opposed the requirement to renew registrations annually as overly burdensome and unnecessary. Some suggested alternatively that a registration remain valid until there is a change in employment status or other change that requires an update of database information. Others recommended that the renewal be every two, three, or five years, or based on the experience of the originator. The Agencies understand that an annual renewal process requires an expenditure of time and resources by individual originators and their employing Agency-regulated institutions. However, section 1504 of the S.A.F.E. Act (12 U.S.C. 5103), requires that mortgage loan originators maintain their registration annually. Therefore, the Agencies can not eliminate, or lengthen, the time between renewals. For this reason, the Agencies adopt Sec. ----.103(b)(1)(i) as proposed without revision. We note that the automated processing of annual renewals, as more fully described below, could lessen the impact on the resources needed for these renewals.

One commenter suggested that the final rule not require a mortgage loan originator to renew his or her

[[Page 51635]]

registration during this annual renewal period if registration was made less than six months prior to the end of the renewal period. The Agencies believe this change is reasonable and within the scope of the S.A.F.E. Act. We have amended the final rule accordingly by adding new paragraph (b)(3) to final Sec. ----.103. However, a mortgage loan originator still is required to update his or her registration during this six month period if any information provided to the Registry at the time of registration changes, pursuant to Sec. ----.103(b)(1)(ii), described below.

In addition to the annual renewal, proposed Sec. -- --.103(b)(1)(ii) provided that a registration must be updated within 30 days of the occurrence of any of the following events: (1) A change in the employee's name; (2) the registrant ceases to be an employee of the institution; or (3) any of the employee's responses to the information required for registration pursuant to paragraphs (d)(1)(iii) through (viii) of Sec. ----.103 become inaccurate.

A few commenters requested that the Agencies increase this 30-day period for updates to 60 or 90 days. The Agencies believe that the Registry should be updated as soon as possible and therefore have not adopted this requested change. Updates are needed on only a case-by-case basis and therefore, unlike in the case of mergers and acquisitions, should not be burdensome to registrants or employing institutions. In addition, the 30-day updating period is consistent with what is required currently for State-licensed mortgage loan originators. Therefore, final Sec. ----.103(b)(1)(ii) includes a 30-day update requirement, as proposed.

Proposed Sec. ----.103(b) also required any employee who registers with the Registry to maintain his or her registration unless the employee is no longer a mortgage loan originator. As a result of this provision, once an employee registers as a loan originator with the Registry, the employee will be required to continue this registration

until he or she is no longer engaged in the activity of a mortgage loan originator, even if, in any subsequent 12-month period, the employee originates fewer mortgage loans than the number specified in the de minimis exception provision. The purpose of this requirement is to prevent the creation of a timing loophole that could allow mortgage loan originators to avoid registration requirements.

As indicated in the proposal's SUPPLEMENTARY INFORMATION section, the Agencies have considered whether the rule should provide for a temporary waiver of the rule's registration requirements or for extension of the initial registration or renewal period, in case of emergency, system malfunction, or other event beyond the control of the Agency-regulated institution or the mortgage loan originator. One commenter expressed support for this concept but noted that such an exception should be narrowly drawn so as not to create a loophole in the registration requirement and suggested that each Agency select an official who has authority to designate an emergency deadline extension for good cause. Another commenter also supported a waiver when events beyond the institution's control made timely registration impossible.

The Agencies agree that on rare occasions there may be exigent circumstances or situations when the Agencies may deem it appropriate to temporarily waive or suspend the requirements of this rule or extend the initial registration or renewal periods. The Agencies do not believe, however, that the final rule must include specific language to effectuate such waivers, suspensions, or extensions. As is the Agencies' practice in other supervisory contexts, if a situation arises that warrants such an action, such as a serious interruption of communication, computer, or fingerprint collection systems at one or more institution(s) caused by circumstances beyond the institution's control, or an extended interruption of Registry service, the Agencies will announce the availability of waivers, suspensions, or extensions of time. In addition, Agency-regulated institutions may contact their regulators to discuss possible relief on a case-by-case basis.

Effective date of registrations and renewals. Proposed Sec. -- --.103(c) provided that a registration is effective on the date that the registrant receives notification from the Registry that all employee and institution information required by paragraphs (d) and (e) of Sec. ----.103 has been submitted and the registration is complete, and that a renewal or update of a registration is effective on the date the registrant receives notification from the Registry that all applicable information required by paragraphs (b) and (e) of Sec. -- --.103 has been submitted and the renewal or update is complete.

We have made two changes to this provision in the final rule. Because the Registry is not technically capable of determining when a registrant actually receives its notification that the registration is complete, we have amended this provision to indicate that a registration is effective when the Registry transmits notification to the registrant that the registrant is registered. In addition, we have streamlined this provision to clarify that this notification of registration completes the registration process. We have made similar changes to Sec. ----.103(c)(2) regarding renewals and updates.

We note that, except as provided by the 180-day implementation period in Sec. ----.103(a)(3) or the 60-day grace period provided in Sec. ----.103(a)(4), an employee must not engage in residential mortgage loan origination activity if his or her registration is not yet effective or has not been renewed or updated pursuant to this rule.

A number of commenters requested further clarification of this effective date, and specifically requested that the effectiveness of the registration not be delayed for the processing of a registrant's fingerprints or receipt of a criminal background check. The Agencies did not intend to delay the effective date for fingerprint or criminal



background check processing. There is no requirement for the processing of these fingerprints or the completion of a background check before a registration becomes effective. Nor, as indicated previously in this SUPPLEMENTARY INFORMATION section, is the effectiveness of a registration contingent on Agency or Registry review or approval of the information submitted to the Registry. Pursuant to the rule, in order to register, the information required by Sec. ----.103(d) and (e) must be submitted, and, in order to renew or update a registration, the information required by Sec. ----.103(b) must be submitted. The Registry will conduct a completeness check of the information submitted by or on behalf of the registrant. At the time the Registry determines all required information has been submitted and all Registry requirements have been met, such as payment of applicable fees charged by the Registry, it will transmit notification electronically to the registrant that he or she is registered or that his or her registration is renewed or updated, as applicable. The employing institution will be responsible for reviewing the criminal history background report once it is completed, and taking any necessary action based on the findings of this report, pursuant to the institution's policies and procedures, as required by this final rule. We note that the registrant will obtain a unique identifier during the registration process and not when the registration is complete.

Section 1510 of the S.A.F.E. Act (12 U.S.C. 5109), expressly authorizes the Registry to ``charge reasonable fees to cover the costs of maintaining and providing access to information from

[[Page 51636]]

the [Registry], to the extent that such fees are not charged to consumers for access to such [Registry].'' We anticipate that the Registry will charge fees for registration, change in employment, renewal, and fingerprint processing and background checks. Although some commenters specifically requested information on the anticipated costs associated with registering with the Registry, the Agencies are at this time unable to provide this information as the fees have yet to be established by CSBS and SRR. The Agencies are consulting with the CSBS and SRR regarding the fees that the Registry expects to impose. One commenter specifically asked the Agencies to grant Agency-regulated institutions the opportunity to comment on fees. CSBS has indicated that it intends to provide an opportunity for the public to comment on these fees, and any future adjustments to such fees, before their imposition on Federal registrants and/or their employing institutions.\41\

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\41\ The agencies note that the NMLS currently charges fees for the licensing of State originators; however, fees for Federal registrants and their employing Agency-regulated institutions may differ from those currently imposed on State licensees. See the NMLS Web site at <http://www.stateregulatoryregistry.org> for information regarding fees imposed on State originators.  
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Required employee information. Section 1507(a)(2) of the S.A.F.E. Act (12 U.S.C. 5106(a)(2)) specifically requires, in connection with the registration of a mortgage loan originator, the Agencies to furnish, or cause to be furnished, to the Registry information concerning an employee's identity, including fingerprints and personal history and experience. Final Sec. ----.103(d) implements this requirement and lists the categories of information that mortgage loan

originators, or the employing Agency-regulated institution on behalf of the mortgage loan originator, will be required to submit to the Registry. Agency-regulated institutions may select one or more individuals to submit the employee information required by this paragraph to the Registry on behalf of each of their mortgage loan originators to facilitate the registration process. At the request of commenters, we have added a new paragraph (d)(3) to the final rule that specifically permits institutions to select such individuals to submit employee information on behalf of mortgage loan originators employed by the institution. The final rule specifically prohibits these selected individuals from acting as mortgage loan originators. We note that regardless of the manner that the information is provided to the Registry, the registering employee, and not the employing institution or other employees, must complete the authorizations and attestation required by Sec. ----.103(d)(2), and described below, for the registration to be complete.

Under proposed Sec. ----.103(d), the employing Agency-regulated institution would have been required to have its registering employees submit, or to submit on behalf of its employees, information regarding the employee's identity (name and former names, social security number, gender, and date and place of birth) and home and business contact information; date the employee became an employee of the Agency-regulated institution; financial services-related employment and financial history for the past 10 years; criminal history involving certain felonies and misdemeanors; history of financial services-related civil actions, arbitrations and regulatory and disciplinary actions or orders; financial services-related professional license revocations or suspensions; voluntary or involuntary employment terminations based on violations of law or industry standards of conduct; and certain actions listed above that are pending against the employee. This information is similar to that required by the current NMLS data collection form for mortgage loan originators regulated by a State, form MU4. The information applies to employees but includes responsive information prior to their employment at the Agency-regulated institution.

The Agencies received many comments on this provision. Although some supported the proposed list of information to be submitted to the Registry, many others requested that the Agencies narrow this list, stating that the extent of personal information required by the proposal is overbroad, intrusive, and burdensome. Commenters also requested that we clarify the information that is required to be submitted.

Based on the comments received, the Agencies have carefully reviewed this list and agree that some of this information is more relevant for licensing purposes than for registration. In particular, we found that the collection of some of this information, which would not be publicly available to consumers, is not necessary to implement the purposes and requirements set forth in section 1502 of the S.A.F.E. Act (12 U.S.C. 5101).

Based on this review, we have deleted proposed Sec. -- --.103(d)(1)(iii) from the final rule, which would have required submission of the registrant's financial history information (such as bankruptcies, unsatisfied judgments, liens, paid-out bonds, etc.). This information would not be available to consumers under this rulemaking and is not required for registration by the statute. It therefore does not further the objectives of the S.A.F.E. Act.

In addition, the submission of employment termination information to the Registry is more appropriate for the purpose of licensing, as a State regulator would use this information to make a decision on licensure, conducting further inquiry, if appropriate. Because this

sensitive information would not be made public, we have deleted proposed Sec. ----.103(d)(1)(x), which required submission of information regarding employment terminations to the Registry, from the final rule.

We also have not included in the final rule the requirement to provide information on pending matters. Because these matters are not final actions, requiring this information would effectively penalize mortgage loan originators before a decision had been rendered. We note that if a pending action does become final, it must be reported to the Registry and made publicly available within 30 days, pursuant to Sec. ----.103(b)(1)(ii).

The Agencies also have revised the requirement in proposed Sec. -- --.103(d)(1)(iv) to provide information on the mortgage loan originator's felony and misdemeanor criminal history. The proposal provided that the registrant supply information regarding felony convictions or other final criminal actions involving a felony against the employee or organizations controlled by the employee; or misdemeanor convictions or other final misdemeanor actions against the employee or organizations controlled by the employee involving financial services, a financial services-related business, dishonesty, or breach of trust. After further review, the Agencies found the proposal's language too broad, and as a result, would have required the registrant to disclose convictions that are not directly relevant to his or her work as a mortgage loan originator. As such, this information is not necessary to meet the purposes or requirements of the S.A.F.E. Act.

Final and redesignated Sec. ----.103(d)(1)(iii) removes the distinction between felonies and misdemeanors and narrows the category of final actions an employee must disclose to the Registry to final criminal actions that involve dishonesty or breach of trust or money laundering. In addition, to fully encompass all relevant final criminal actions, the final rule amends this category of information to include an agreement to enter into a pretrial diversion or similar program in

[[Page 51637]]

connection with the prosecution for such offense.\42\ This language derives from section 19(a)(1) of the FDI Act (12 U.S.C. 1829), which, in general, prohibits the participation of individuals convicted of such offenses from participating in the affairs of an insured depository institution. The Agencies intend to rely on FDIC rules and guidance interpreting section 19(a)(1) of the FDI Act with respect to the interpretation of criminal offenses covered under section 19 of the FDI Act.\43\ Therefore, amending the proposal to include this language in the final rule provides clearer guidance to originators and their Agency-regulated institution employers of the types of criminal offenses required to be disclosed. For example, the FDIC excludes expunged, sealed and juvenile offenses and, therefore, the Agencies would not expect this information to be provided to the Registry.\44\ The final rule also would not require acquittals to be reported.

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\42\ An agreement to enter into a pretrial diversion or similar program is defined by the FDIC as a suspension or eventual dismissal of charges or criminal prosecution upon agreement of the accused to treatment, rehabilitation, restitution, or other noncriminal or nonpunative alternatives. FDIC Statement of Policy for Section 19 of the FDIC Act, 63 FR 66177 (Dec. 1, 1998).

\43\ See Id. and 12 CFR 303.220-223.

\44\ Id.

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The Agencies find the remaining information required by the proposal to be submitted to the Registry relevant to the registration process and the purposes and requirements of the S.A.F.E. Act. Section 1507(a)(2) of the S.A.F.E. Act (12 U.S.C. 5106(a)(2)) specifically requires that information regarding the registrant's identity, including personal history and experience, be furnished to the Registry. Identifying information, such as name (and any other names used, such as a nickname, full legal name, or maiden name), home address, address of principal business location and business contact information (business phone number and e-mail address) and the registrant's prior financial services-related employment history (not all of which will be made public) is necessary to meet this requirement. In addition to this information, the registrant's social security number, gender, and date and place of birth are necessary to conduct the criminal history background check required by section 1507(a)(2)(A) of the S.A.F.E. Act (12 U.S.C. 5106(a)(2)(A)). Likewise, the required information concerning final criminal actions (as amended), financial services-related civil judicial actions, publicly-adjudicated regulatory and disciplinary actions or orders, financial services-related professional license revocations or suspensions, and financial services-related customer-initiated arbitration and civil actions will be made public on the Registry, and, therefore, further the purpose of the S.A.F.E. Act to provide consumers with easily accessible information on disciplinary and enforcement actions against the originator. The Agencies therefore adopt the final rule with the requirement to provide this information to the Registry.

Pursuant to section 1507(a)(2)(A) of the S.A.F.E. Act (12 U.S.C. 5106(a)(2)(A)), proposed Sec. ----.103(d)(xii) (redesignated as Sec. ----.103(d)(ix) in the final rule) also required employees to provide fingerprints, in digital form if practicable, to the Registry for submission to the FBI and any governmental agency or entity authorized to receive such information for a State and national criminal history background check. The proposal permitted the use of fingerprints currently on file with the employing Agency-regulated institution if taken less than three years prior to the employee's registration with the Registry.

This requirement elicited many comments. Some commenters requested that the Agencies permit institutions to continue accessing existing fingerprint channels recognized and supported by existing relations with the FBI. Some commenters also suggested that the final rule should deem background checks conducted by the institution during the hiring process as compliant with the S.A.F.E. Act's fingerprint and background check requirement. Commenters also requested that the final rule permit the submission of fingerprints collected 10 or 15 years prior to registration. Many of the commenters argued that an age limit is unnecessary as fingerprints do not change over time. In addition, commenters noted that allowing the use of existing fingerprints, no matter when collected, will reduce registration costs and delays.

The S.A.F.E. Act specifically requires fingerprints to be furnished to the Registry for purposes of submission to the FBI, and any governmental agency or entity authorized to receive such information for a State and national criminal history background check.\45\ The S.A.F.E. Act does not specifically require certain persons or entities to furnish these fingerprints, nor prohibit other entities from furnishing fingerprints to the Registry. However, the FBI only will accept fingerprints from entities authorized as channelers of this information.

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\45\ Section 1507(a)(2)(A) of the S.A.F.E. Act (12 U.S.C. 5106(a)(2)(A)). The Agencies note that, in the event that a mortgage loan originator is unable to provide fingerprints due to a physical condition, he or she should provide identifying information to the Registry consistent with FBI protocols.

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In order to ensure that fingerprints are up-to-date, we have amended the redesignated Sec. ----.103(d)(1)(ix) to provide that fingerprints that are less than three years old may be used to satisfy the requirement to furnish fingerprints to the Registry. As indicated previously, this three-year age limit is consistent with the procedures to be used by SRR for mortgage loan originators licensed by a State. Institutions should consult their existing channelers regarding the furnishing of fingerprints that are less than three years old to the Registry.

CSBS and SRR are currently modifying the NMLS to act as a channeler for fingerprints of State license applicants, pursuant to the S.A.F.E. Act, and Federal registrants may use this same fingerprinting process when the NMLS is modified to accept Federal registrations.\46\ The Agencies anticipate that CSBS and SRR will provide guidance to Agency-regulated institutions and their mortgage loan originators on the availability and details of this fingerprint process. CSBS and SRR intend that this fingerprinting process will be convenient and efficient for both State licensees and Federal registrants.\47\  

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\46\ Further information on the Registry's fingerprint and background check procedures can be found on the Registry's Web site at <http://www.stateregulatoryregistry.org/NMLS/>.

\47\ SRR plans to contract with a nationwide vendor to take the fingerprints and forward them to the Registry, which will then obtain the criminal history background check based on these fingerprints. According to plans, this vendor will have locations throughout the country, may be made available on-site at institutions, and will provide a mail-in option for mortgage loan originators unable to provide their fingerprints in person.

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Some commenters asked the Agencies to clarify whether the Registry may collect fingerprints and submit a request for a background check before the Agency-regulated institution employs a mortgage loan originator rather than waiting until after that individual is hired to submit fingerprints to the Registry. The Agencies have no objection to the Registry processing a background check just prior to the employment of a mortgage loan originator, should the Registry provide this service, and believe this could satisfy the requirements of the rule.

Some commenters also expressed the view that the Registry should have the capability to accept fingerprints in both

[[Page 51638]]

paper and digital form. As in the proposed rule, the final rule does not require digital fingerprints, but does encourage the use of digital fingerprint submissions. If digital fingerprints are not available, the Registry will accept fingerprint cards, and will convert these cards to a digital format. The Agencies note that the rule's authorization to submit fingerprints in paper form is intended to assist smaller institutions for which compliance with a digital fingerprint

requirement may not be feasible.

Employee authorization and attestation. Paragraph (d)(2)(i) of Sec. ----.103 requires the employee to provide authorization for the Registry and the employing Agency-regulated institution to obtain information related to sanctions or findings in any administrative, civil, or criminal action, to which the employee is a party, and, in paragraph (d)(2)(ii) of this section, to attest to the correctness of all information submitted to the Registry pursuant to paragraph (d) of this section.

In order to provide relevant information to consumers and to implement the purposes of the S.A.F.E. Act, paragraph (d)(2)(iii) requires the employee to authorize the Registry to make available to the public the information required to be submitted to the Registry pursuant to Sec. ----.103(d)(1)(i)(A) and (C) and (d)(1)(ii) through (viii) (his or her name, other names used, name of current employer(s), current principal business location(s) and business contact information, 10 years of relevant employment history, and publicly adjudicated disciplinary and enforcement actions and arbitrations against the employee).

Although this rulemaking permits the employing institution or other institution employees to submit the information required by Sec. -- --.103(d)(1) to the Registry on behalf of the registering employee, the employee, and not the employing institution or its other employees, must complete the attestation and authorizations required by Sec. -- --.103(d)(2) for the registration to be complete. This task may not be delegated because it is necessary for the Registry to authenticate the employee's information.

The Registry plans to make this information available to the public in two phases. The first phase, implemented at the end of the initial registration period, would provide for public accessibility of the employee's name; other names used; name of current employer(s); current principal business location(s) and business contact information; and employment history. The remaining categories of information (publicly adjudicated disciplinary and enforcement actions and arbitrations against the employee) would be made public at a later date, once the Registry, in consultation with the Agencies, has designed and implemented a system through which the registrant may provide additional explanatory information to accompany a positive response to any of the disclosure questions regarding criminal history or the other information requested in paragraphs (d)(1)(iii) through (viii). The Agencies note that once the Registry makes this enhancement, registered mortgage loan originators will be able to provide this explanatory information at any time, including during the annual renewal process, and that this explanatory language may be made public. Relevant nonpublic information submitted to the Registry will be only accessible to the Agencies and State regulators of mortgage originators, as appropriate, and the submitting mortgage loan originator and his or her employing institution.\48\  
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\48\ SRR plans to make this public information stored on the Registry available on an aggregate basis to interested parties for compliance purposes.  
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The Agencies received many comments on the public availability of personal information, particularly on how the Registry will store and prevent the unauthorized use of this personal information, and how nonpublic personal information will be appropriately protected. One commenter specifically stated that the final rule should take

appropriate measures to ensure that the electronic submissions to the Registry are properly encrypted, authorized, and authenticated, and that the Registry complies with the FBI Criminal Justice Information Services Security Policy (CJIS Security Policy).\49\  
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\49\ CJISD-ITS-DOC-08140-4.5, December 2008.  
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The Agencies are well aware of the security concerns associated with providing personal information to the Registry and are contracting with SRR to ensure appropriate data protection elements are incorporated within the Registry to ensure compliance with the requirements of the Federal Information Security Management Act (FISMA) of 2002, PL 107-347; the CJIS Security Policy; and the related Security and Management Control Outsourcing Standard.\50\ FISMA requires each Federal agency to develop, document, and implement an agency-wide program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source. Specifically, FISMA directed the promulgation of Federal standards for: (1) The security categorization of Federal information and information systems based on the objectives of providing appropriate levels of information security according to a range of risk levels; and (2) minimum security requirements for information and information systems in each such category.\51\  
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\50\ See [http://www.fbi.gov/hq/cjisd/web%20page/pdf/05132009\\_outsourcing\\_standard.pdf](http://www.fbi.gov/hq/cjisd/web%20page/pdf/05132009_outsourcing_standard.pdf).

\51\ See the National Institute of Standards and Technology (NIST) publications FIPS Pub 200, Minimum Security Requirements for Federal Information and Information Systems, March 2006 and NIST Special Publication 800-53, Recommended Security Controls for Federal Information Systems, as amended. These standards specify minimum management, operational, and technical safeguards in 17 security-related areas needed to protect the confidentiality, integrity, and availability of Federal information systems and the information processed, stored, and transmitted by those systems. These security-related areas are: (1) Access control; (2) awareness and training; (3) audit and accountability; (4) certification, accreditation, and security assessments; (5) configuration management; (6) contingency planning; (7) identification and authentication; (8) incident response; (9) maintenance; (10) media protection; (11) physical and environmental protection; (12) planning; (13) personnel security; (14) risk assessment; (15) systems and services acquisition; (16) system and communications protection; and (17) system and information integrity.  
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As a channeler and outsourcer of fingerprints, the FBI requires the Registry to comply with its CJIS Security Policy. The CJIS provides the minimum level of information technology security requirements determined acceptable for the transmission, processing, and storage of the nation's criminal justice information systems data. The purpose of this policy is to establish uniformity and consistency in safeguarding criminal justice information security data which is accessed via networks throughout the Federal, State, and local user community. However, this policy does not prohibit more stringent security policies.

The requirements for protecting the privacy and security of the personal information obtained from employees of Agency-regulated institutions, and the confidential information obtained from the institutions themselves, are essentially similar whether a particular mortgage loan originator is State licensed or Federally registered. SRR and CSBS will institute security protocols to protect the privacy and security of such information.

The Agencies adopt Sec. ----.103(d)(2) as proposed, with the following conforming and clarifying changes.

[[Page 51639]]

First, we have removed pending disciplinary and enforcement actions and arbitrations against the employee from the list of information the employee must authorize the Registry to make available to the public to conform with our amendment to Sec. ----.103(d)(1). Second, we have amended Sec. ----.103(d)(2)(ii) to require a registrant to attest to any update of their registration, in addition to their initial and renewal registrations. This requirement had inadvertently been left out of the proposed rule. Finally, we have added language to clarify that neither the employing institution, nor any of its other employees, may fulfill these attestation and authorization requirements on behalf of the registering employee.

We also have added a new paragraph (d)(3) to clarify that an Agency-regulated institution may identify an employee or employees of the bank who may submit the employee information required by paragraph (d)(1)(i) to the Registry on behalf of the institution's employees, provided that this individual, and any employee delegated this authority, does not act as a mortgage loan originator, consistent with Sec. ----.103(e)(1)(i)(F). In addition, as more fully explained below, this new paragraph specifically authorizes an institution to submit to the Registry some or all of the employee information required by paragraph (d)(1)(i) and the institution's information required by Sec. ----.103(e)(2) for multiple employees in bulk through batch processing in a format to be specified by the Registry, to the extent such batch processing is made available by the Registry.

Required Agency-regulated institution information. The Agencies adopt proposed Sec. ----.103(e)(1) with the following amendments, discussed below.

Paragraph (e)(1) of Sec. ----.103 of the final rule requires the employing Agency-regulated institution to submit certain information to the Registry as a base record in connection with the registration of one or more mortgage loan originators. Specifically, the Agency-regulated institution must provide its name; main office address; business contact information, such as business phone number or e-mail address (not required by the proposed rule); primary Federal regulator; Employer Tax Identification Number (EIN) issued by the Internal Revenue Service; primary point of contact information; and contact information for ``system administrators.''

System administrators will have the authority to enter data required in paragraph (e) of this section on the Registry and will be responsible for keeping institution information and the list of employees registered with the Registry current. These individuals, however, may not act as mortgage loan originators. The Agencies recognize that some small institutions may not be able to comply with this latter requirement because all of their staff may be registered mortgage loan originators. Therefore, we have amended this provision to exempt institutions with 10 or fewer full time equivalent employees from the requirement that system administrators do not act as mortgage loan originators. However, this exemption does not apply to a



subsidiary of an Agency-regulated institution as the staff at the parent institution could perform this function. In the Agencies' experience, institutions with more than 10 full time equivalent employees generally have sufficient staff resources to support the segregation of these functions. The system administrators may delegate their authority and assign as many additional system users as necessary to comply with the registration requirements of the S.A.F.E. Act and the final rule, provided the delegated administrators meet this paragraph's requirements. While the primary point of contact also can be one of the institution's system administrators, the institution's management is responsible for ensuring proper oversight of the system administrator's activities.

In addition, paragraph (e)(1)(i)(C) of Sec. ----.103 requires an Agency-regulated institution to provide its Research Statistics Supervision Discount (RSSD) number as identifying data for validating the base record. The RSSD database is maintained by the Board. The Agencies will provide the Registry with an extract of the Board's database, indexed by RSSD number, to facilitate an Agency-regulated institution's authorized access to the Registry and its establishment of a new base record. Upon receiving the information for a new base record from an Agency-regulated institution, the Registry will confirm the information by comparing the application with RSSD data supplied by the Agencies. The Agencies will establish a mechanism by which Agency-regulated institutions that do not have an RSSD number will be added to the RSSD database.

If the institution is a subsidiary of an Agency-regulated institution, the final rule requires the subsidiary to indicate that it is a subsidiary of the parent and to provide its parent institution's RSSD number in addition to its own RSSD number, if it has one. It is not required to obtain its own RSSD number. The proposal had required that the subsidiary provide its parent's name. We have revised this provision in the final rule to require the subsidiary instead to provide its parent's RSSD number, which is a more accurate method of identifying the parent institution than by name.

Some Farm Credit System-affiliated commenters requested that the Agencies consider using the FCA's existing identification system as an alternative for the RSSD number for FCS institutions. The Agencies decline to make this modification. Validation of Agency-regulated institutions will be most efficient and complete if all institutions can be identified through a single identification system. The FCA will provide FCS institutions with information on how to obtain an RSSD number for the purposes of this rulemaking. The Agencies received no other significant comments on Sec. ----.103(e).

We also have amended proposed Sec. ----.103(e)(1) to require system administrators to follow NMLS protocols to verify their own identity and to attest that they have the authority to enter data on behalf of the Agency-regulated institution, that the information submitted pursuant to paragraph (e) is correct, and that the Agency-regulated institution will keep the information required by paragraph (e) current and will file accurate supplementary information on a timely basis. In addition, we have amended this paragraph to require institutions to renew the information they have submitted to the Registry pursuant to Sec. ----.103(e) on an annual basis. We have added these two requirements to conform to system protocols identified by CSBS and SRR.

As in the proposal, renumbered paragraph (e)(1)(iii) of Sec. -- --.103 requires an Agency-regulated institution to update any information it has submitted within 30 days of the date that the information becomes inaccurate.

As proposed, Sec. ----.103(e)(2) of the final rule requires an

Agency-regulated institution to provide information to the Registry for each employee who acts as a mortgage loan originator. The Agency-regulated institution must: (1) Confirm that it employs the registrant, after all the information required by paragraph (d) of this section has been submitted to the Registry; and (2) within 30 days of the date the registrant ceases to be an employee of the institution, provide notification that it no longer employs the registrant and the date the registrant ceased being an employee. This information will link the registering mortgage loan originator to the Agency-

[[Page 51640]]

regulated institution in order to confirm that the registration of the employee is valid and legitimate. The Agencies note that the Registry's system protocols will not permit the Agency-regulated institution to confirm that it employs the registrant unless all of the employee's information required by paragraph (d) of this section has been submitted to the Registry and the employee has attested to the accuracy of the information. As indicated below, batch processing of certain information for multiple employees will likely be available to facilitate compliance with this provision.

Batch Processing of Registrations. The SUPPLEMENTARY INFORMATION section of the proposed rule sought comment on whether to permit a ``batch'' process for Agency-regulated institutions to submit to the Registry, in bulk, some or all of the required employee and institution information as a way to mitigate the initial and ongoing registration burden on Agency-regulated institutions and their employees. Commenters overwhelmingly supported the concept of batch processing, indicating that such a capability would make registration faster, simpler, more efficient, and less costly. They also stated that it would enable them to better control and manage the registration process, pursuant to the policies and procedures required by this rulemaking.

The Agencies agree that some form of batch processing would be helpful for the registration process to run smoothly and efficiently and for all initial registrations to be completed within the 180-day initial registration period. Batch processing would be especially beneficial to larger institutions who must register tens of thousands of employees. The Agencies therefore are working with CSBS and SRR to ensure that the Registry supports the batch processing of large numbers of registrations by Agency-regulated institutions. As indicated above, we have added a new Sec. ----.103(d)(3) to specifically permit institutions to submit a portion of the information required by paragraphs (d)(1)(i) and (e)(2) of Sec. ----.103 for multiple employees in bulk through batch processing, to the extent such batch processing is made available by the Registry.

Specifically, it is our intent that the Registry will be able to provide Agency-regulated institutions the capability to submit batch registration of a portion of the information for multiple mortgage loan originators and to electronically notify the originators of the need to complete the registration. The Agencies expect the batch file to contain at least enough information to establish a mortgage loan originator record (such as the institution's name and RSSD number and employee name, SSN, and e-mail address). We also expect that the Registry will provide the capability for an Agency-regulated institution to confirm its relationship with mortgage loan originators either individually or in bulk. The Agencies, CSBS, and SRR are in the process of specifying the details and means of this batch processing. Batch processing should be available for institutions at the start of the initial registration period, and we will provide further information on batch processing prior to that time.

## Section----.104--Policies and Procedures

Proposed Sec. ----.104 required Agency-regulated institutions that employ mortgage loan originators to adopt and follow written policies and procedures designed to ensure compliance with the requirements of the final rule. The proposal stated that the policies and procedures must be appropriate to the nature, size, complexity, and scope of the mortgage lending activities of the Agency-regulated institution and must, at a minimum, include eight specified provisions.

The Agencies received many comments on these required policies and procedures. Although some supported them, others found the requirement to have detailed written plans for how to comply with the final rule unnecessary and overly burdensome, especially in light of other regulatory requirements imposed on financial institutions. A few commenters suggested that the Agencies develop model guidelines for, or samples of, these policies and procedures to reduce implementation and compliance costs for Agency-regulated institutions and to reduce burden on examiners in monitoring compliance. Commenters also requested further clarification of specific provisions and an explanation as to the reason for the provision.

The Agencies continue to believe that requiring Agency-regulated institutions to establish policies and procedures is an appropriate way to ensure and monitor compliance with this final rule. Appropriate policies and procedures provide an institution and its employees with the expectations of the institution's board and include the specific implementing guidance that is applicable to the activities of that institution. Furthermore, such policies and procedures are necessary to enable Agency examiners to evaluate the effectiveness of institutions' implementation of the S.A.F.E. Act requirements that apply to them. Institutions have the responsibility to adopt policies and procedures appropriate to their operations. The final rule therefore includes a policies and procedures requirement. Comments on specific provisions are addressed below.

First, proposed Sec. ----.104(a) required policies and procedures to establish a process for identifying which employees of the institution are required to be registered mortgage loan originators. This provision highlights a basic and necessary action each institution must take to comply with the rulemaking. We did not receive specific substantive comments on this requirement and therefore adopt Sec. -- --.104(a) as proposed.

Second, proposed Sec. ----.104(b) required policies and procedures to require that all employees of the institution who are mortgage loan originators be informed of the registration requirements of the S.A.F.E. Act and the proposed rule and be instructed on how to comply with these requirements and procedures, including registering as a mortgage loan originator prior to engaging in any mortgage loan origination activity. As with the first provision, this action is necessary for Agency-regulated institutions to comply with the rule and facilitates employee compliance. We did not receive substantive comments addressing this requirement and therefore adopt Sec. -- --.104(b) as proposed.

Third, proposed Sec. ----.104(c) required that policies and procedures must establish procedures to comply with the unique identifier requirements in Sec. ----.105. Once again, this provision merely reiterates that Agency-regulated institutions must ensure compliance with a requirement of the rulemaking. We received no specific comments on this requirement and therefore adopt it as proposed.

Fourth, proposed Sec. ----.104(d) required policies and procedures

to establish reasonable procedures for confirming the adequacy and accuracy of employee registrations, including updates and renewals, by comparison with the institution's records. We adopt this provision as proposed. However, to address the many comments on this requirement, the Agencies clarify that they will consider an institution to have reasonable procedures if it confirms the information supplied to the Registry that is in the institution's personnel files. Typically this information would include the employee's identifying information, such as the employee's name; home address; business address and contact information; social security number; gender; date and place of birth; and financial services-related civil actions, arbitrations and regulatory

[[Page 51641]]

actions taken against the institution's employee, if any. As noted in the SUPPLEMENTARY INFORMATION section of the proposed rule, to comply with this requirement, institutions need only compare the information supplied by the employee to the Registry with the information contained in the institution's own records. The final rule does not require, nor do the Agencies expect, Agency-regulated institutions to obtain private database searches on their employees to confirm employee registration information.

Fifth, proposed Sec. ----.104(e) required institutions to establish reasonable procedures and tracking systems for monitoring compliance with registration requirements and procedures. Under this regulatory provision, Agency-regulated institutions will be expected to demonstrate compliance with the registration and renewal requirements of this final rule, such as by maintaining appropriate records. The action required by this provision is one that an institution must take to ensure compliance with the rule and may be done in a number of different ways, such as by using an institution's existing tracking systems. Having received no substantive comments on this requirement, the Agencies adopt it as proposed.

Sixth, proposed Sec. ----.104(f) required policies and procedures that provide for periodic independent testing of the Agency-regulated institution's policies and procedures for compliance with the S.A.F.E. Act and the final rule and for such testing to be conducted by institution personnel or by an outside party. This compliance testing is standard procedure for Agency-regulated institutions as part of their internal controls, and we adopt it as proposed with one change. We have clarified that this compliance testing must be done on an annual basis, a necessary internal audit interval.

Seventh, proposed Sec. ----.104(g) required policies and procedures to provide for appropriate disciplinary action against any employee who fails to comply with the registration requirements of the S.A.F.E. Act, this rule, or the related policies and procedures of the institution, including prohibiting such employees from acting as mortgage loan originators or other appropriate disciplinary actions. The action required by this provision is one that an institution would need to take to ensure compliance with the rule. Having received no substantive comments on this requirement, we adopt it as proposed.

Finally, proposed Sec. ----.104(h) required policies and procedures to establish a process for reviewing the criminal history background reports on employees received from the FBI through the Registry, taking appropriate action consistent with applicable law and rules with respect to these reports, maintaining records of these reports, and documenting any action taken with respect to such employees consistent with applicable recordkeeping requirements, if any. A few commenters requested clarification on this requirement. As

noted by other commenters, section 19 of the FDI Act (12 U.S.C. 1829), in general, prohibits insured depository institutions from employing a person who has been convicted of any criminal offense involving dishonesty or a breach of trust or money laundering or has entered into a pretrial diversion or similar program in connection with a prosecution for such offense. Similarly, section 5.65(d) of the Farm Credit Act (12 U.S.C. 2277a-14 (d)), states "[e]xcept with the prior written consent of the Farm Credit Administration, it shall be unlawful for any person convicted of any criminal offense involving dishonesty or a breach of trust to serve as a director, officer, or employee of any System institution." For Federally insured credit unions, NCUA intends to rely upon 12 U.S.C. 1786(i) and 12 CFR 741.3(c). We have revised this provision of the final rule to include references to the appropriate statutory provision.

The Agencies have added a new provision to clarify the responsibilities of Agency-regulated institutions regarding their contracts relating to mortgage loan originations. Institutions must establish procedures designed to ensure that any third party with which it has arrangements related to mortgage loan origination has policies and procedures to comply with the S.A.F.E. Act, including appropriate licensing and/or registration of individuals acting as mortgage loan originators. Agency-regulated institutions should monitor third party entities' compliance with these policies and procedures. This provision will ensure that individuals acting as mortgage loan originators on behalf of an Agency-regulated institution are either State licensed and registered and/or Federally registered.

One commenter requested that the final rule limit an institution's oversight of its employees' compliance with this rulemaking only to those activities of the employee that are within the scope of his or her employment at the institution. It is not our intention to require the institution to enforce the final rule's requirements with respect to activities of its employees that are conducted outside of the employee's scope of employment with that institution and beyond the institution's control, and we have added language to Sec. ----.104 to clarify this.

This final rule's requirement to adopt these policies and procedures applies to all Agency-regulated institutions that employ individuals who act as mortgage loan originators, regardless of the application of any de minimis exception to their employees. These policies and procedures should be in place at an institution prior to the registration of its employees pursuant to this rule.

Furthermore, the Agencies note that, consistent with the S.A.F.E. Act, the Registry will not screen or approve registrations received from employees of Agency-regulated institutions. Instead, it will be the repository of, and conduit for, information on those employees who are mortgage loan originators at Agency-regulated institutions. Pursuant to Sec. Sec. ----.104(d) and (h) of the final rule, it will be the responsibility of the Agency-regulated institution to establish reasonable procedures for confirming the adequacy and accuracy of employee registrations as well as to establish a process for reviewing any criminal history background reports received from the Registry.

#### Section ----.105--Use of Unique Identifier

The Agencies proposed in Sec. ----.105(a) to require an Agency-regulated institution to make the unique identifier(s) of its registered mortgage loan originator(s) available to consumers in a manner and method practicable to the institution. Proposed Sec. -- --.105(b) required a registered mortgage loan originator to provide the originator's unique identifier to a consumer upon request, before

acting as a mortgage loan originator, and through the originator's initial written communication with a consumer, if any.

Although a mortgage loan originator may change his or her name, change employment, or move, the unique identifier assigned to the originator by the Registry at the originator's original registration will remain the same. Once public access to the Registry is fully functional, the unique identifier will enable consumer access to an individual mortgage loan originator's profile stored in the Registry, including the mortgage loan originator's publicly available registration information, any State mortgage licenses held (active or inactive), employment history, and publicly adjudicated disciplinary and enforcement actions. If a mortgage loan originator is simultaneously employed by more than one State or Agency-regulated institution, that information

[[Page 51642]]

also will be readily visible to the consumer.

We received a number of comments on this requirement--some noting that it is cumbersome and of limited benefit to the consumer. However, the S.A.F.E. Act requires each mortgage loan originator to obtain a unique identifier to facilitate the electronic tracking of loan originators, and the uniform identification of, and public access to, the employment history and publicly adjudicated disciplinary and enforcement actions against a mortgage loan originator. In order to effectuate this requirement, a mortgage loan originator and the employing institution must ensure that the consumer has access to the originator's unique identifier. This access must be made available early enough in the relationship with the originator to enable the consumer to access the Registry before the consumer commits to the mortgage loan transaction. Because a consumer may not be aware of the Registry, it is important that both the institution and originator make this information available to the consumer, and not only just upon the consumer's request, as suggested by a number of commenters. Therefore, we adopt this requirement as proposed, with one clarifying change described below.

As noted in the SUPPLEMENTARY INFORMATION section of the proposed rule, an Agency-regulated institution may comply with the Sec. -- --.105(a) requirement in a number of ways. For example, the institution may choose to direct consumers to a listing of registered mortgage loan originators and their unique identifiers on its Web site; post this information prominently in a publicly accessible place, such as a branch office lobby or lending office reception area; and/or establish a process to ensure that institution personnel provide the unique identifier of a registered mortgage loan originator to consumers who request it from employees other than the mortgage loan originator. Furthermore, the Agencies intend Sec. ----.105(b)(3) of the rule to cover written communication from the originator specifically for his or her customers, such as a commitment letter, good faith estimate or disclosure statement, and not written materials or promotional items distributed by the Agency-regulated institution for general use by its customers. While, this provision does not require institutions to include the unique identifier on loan program descriptions, advertisements, business cards, stationary, notepads, and other similar materials, institutions are not prohibited from doing so. We also clarify that the requirement to provide the unique identifier to the consumer through the originator's initial written communication, if any, applies whether that communication is provided in writing on paper or through electronic means. We have clarified this requirement in the final rule. The Agencies also clarify that the unique identifier may be

provided orally, except pursuant to paragraph (b)(3) under which the unique identifier would be provided with the written or electronic communication.

We note that the Board has proposed amendments to 12 CFR 226 (Regulation Z) that would require disclosure of the unique identifier as part of TILA disclosures, which generally must be provided to a borrower within three business days of the residential mortgage loan application and seven business days before consummation of the transaction.\52\ In addition, as indicated above, Fannie Mae and Freddie Mac are requiring all mortgage loan applications taken on or after the compliance date for the unique identifier requirement to include the mortgage loan originator's unique identifier.\53\ We therefore believe that providing consumers with the originator's unique identifier will not be difficult or burdensome.

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\52\ See <http://www.federalreserve.gov/newsevents/press/bcreg/20090723a.htm>.

\53\ See footnote 26.

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#### Appendix--Examples of Mortgage Loan Originators

The proposed Appendix included a nonexclusive list of examples of activities that fall within or outside the S.A.F.E. Act's definition of a mortgage loan originator. Specifically, the Appendix provided examples of activities that are, and are not, illustrative of taking an application, and offering or negotiating terms of a mortgage loan for compensation or gain. The Agencies note that an employee of an Agency-regulated institution is only subject to the S.A.F.E. Act to the extent that both prongs of the two-part test for acting as a mortgage loan originator are met, and that employees who take applications but do not offer or negotiate terms of a mortgage loan, or vice versa, do not meet the definition. Commenters generally asked the Agencies to provide more detail to the examples and to address whether specific activities of Agency-regulated institution employees would be covered by the two-prong test of a mortgage loan originator.

The Agencies have made several modifications to the examples of taking an application. The modified examples clarify that taking an application occurs when the mortgage loan originator receives information in connection with a request for a mortgage loan that will be used to determine whether the consumer qualifies for a loan. The Agencies note that the information may be provided by another person on behalf of the consumer.

Some commenters questioned whether an employee takes an application if that employee only collects limited data about the consumer or does not decide what data to collect. Another commenter suggested that when an employee collects the limited information about the consumer that is required by an automated loan approval system and quotes interest rates and fees for a specific mortgage loan product as generated by the system, that employee should not be considered to be engaged in taking an application. The Agencies disagree, as the limited information described by the commenter is sufficient to qualify the consumer for a specific mortgage product and terms. The example of taking an application was revised to address the receipt of information to be used to determine whether the consumer qualifies for a mortgage loan, which includes situations where there are limitations on the data collected or on the employee's discretion, as described by the commenter.

Similarly, these commenters also requested clarification as to

whether an employee takes an application when the employee enters information into an online application in the process of receiving information from the consumer. The Agencies have provided clarification that the example of taking an application applies even if the employee is inputting information into an online or other automated approval system on behalf of the consumer. The Agencies do not intend this example to address employees who are engaged in the clerical act of inputting information from a loan application into an automated approval system on behalf of a loan officer. Furthermore, contrary to the suggestions of some commenters, the Agencies have clarified that an employee may take an application even if the employee is not engaged in approval of the mortgage loan. An employee also may take an application even if the employee does not take an application fee.

The Agencies also have clarified that, contrary to the suggestion of some commenters, an employee may take an application even if the employee has received the consumer's information indirectly in order to make an offer or negotiate terms of a mortgage loan. An

[[Page 51643]]

employee may receive the consumer's information indirectly, for example, through another employee, a broker, or an automated system.

The Agencies also have provided further detail regarding the examples of activities that do not constitute taking an application. In response to questions raised by commenters, the Agencies have further clarified that the following activities would not constitute taking an application: (1) Assisting a consumer who is filling out an application by explaining the qualifications or criteria necessary to obtain a mortgage loan product, (2) describing the steps that a consumer would need to take to provide information to be used to determine whether the consumer qualifies for a mortgage loan or otherwise explaining the mortgage loan application process, and (3) responding to an inquiry regarding a prequalified offer that a consumer has received from an Agency-regulated institution, collecting only basic identifying information about the consumer and forwarding the consumer to a mortgage loan originator.

The Agencies also have revised the examples of offering or negotiating terms of a mortgage loan in response to the comments. The Agencies have revised one example to clarify that providing a disclosure of the mortgage loan terms after application pursuant to the Truth in Lending Act is included in presenting a mortgage loan offer. A number of commenters asked the Agencies to modify the examples to carve out employees who are limited in their ability to negotiate or finalize the terms of a mortgage loan. Some commenters posited that employees should be excluded if they only offer the loan rate to a consumer but are not permitted to negotiate the rate, or only quote a rate approved by an automated online system. Similarly, a commenter expressed the view that an employee would not offer or negotiate terms of a mortgage loan if involvement of a loan officer also was necessary to finalize the loan terms or otherwise conclude the mortgage loan approval process. The Agencies believe that many of these situations discussed by the commenters would involve an offer or a negotiation of a loan. Thus the revised examples clarify that presenting a mortgage loan offer to a consumer for acceptance, either verbally or in writing, is offering or negotiating terms of a mortgage loan even if other individuals must complete the mortgage loan process or if only the rate approved by the Agency-regulated institution's loan approval mechanism function for a specific loan product is communicated without authority to negotiate the rate. Similarly, one commenter suggested that an employee does not offer or negotiate terms of a mortgage loan if the



employee does not lock the rate. The Agencies do not agree and declined to address this particular activity in the general example of offering or negotiating terms of a mortgage loan.

The Agencies also have modified and added to the examples of activities that are not offering or negotiating terms of a mortgage loan. Some commenters noted that the S.A.F.E. Act excludes employees who are engaged in administrative and clerical activities. The Agencies have considered this exclusion in formulating the examples of mortgage loan origination. Specifically, with respect to offering and negotiating terms of a mortgage loan, the Agencies have added an example that an employee who communicates on behalf of a mortgage loan originator that a written offer has been sent to a consumer, without providing details of that offer, is not offering or negotiating a loan.

In addition, in response to commenters' requests for more detail, the Agencies have clarified that providing descriptions, in addition to explanations, in response to consumer queries regarding qualification for a specific mortgage loan product or product-related service does not constitute offering or negotiating terms of a mortgage loan. In response to the suggestion of another commenter, the Agencies have provided another new example, specifying that ``offer or negotiate'' does not include explaining or describing the steps or process that a consumer would need to take in order to obtain a loan offer, including qualifications or criteria that would need to be met without providing guidance specific to the consumer's circumstances.

Some commenters asked whether employees engaged solely in making underwriting decisions with respect to mortgage loans are offering terms of a mortgage loan. These employees, although they do not typically communicate directly with consumers, would appear to fall within the definition of taking an application. The Agencies have added, as an example of an activity that is not offering or negotiating terms of a mortgage loan, making an underwriting decision about whether the consumer qualifies for a loan. An employee engaged solely in this activity would not offer or negotiate terms of a loan, and would not, therefore, meet the two-prong test for acting as a loan originator.

The Agencies, as described previously, understand from many commenters that numerous employees of Agency-regulated institutions are engaged solely in modifying loans, such as those which result in reduced and sustainable payments for a borrower who is in default. The Agencies have provided, as a new example of an activity that is not taking an application, receiving information in connection with a modification to the terms of an existing loan to a borrower as part of the institution's loss mitigation efforts, when the borrower is reasonably likely to default. An employee engaged solely in this activity does not receive a residential mortgage loan application, and would not, therefore, meet the two-prong test for acting as a loan originator. The Agencies note that modifying the terms of an existing loan to a borrower as part of the institution's loss mitigation efforts generally would not constitute acting as a mortgage loan originator for purposes of the S.A.F.E. Act. In addition, one commenter requested that the Agencies clarify that an employee acts as a mortgage loan originator when the employee renews an existing loan at maturity, thereby replacing the old loan with a new loan. The Agencies agree with this commenter.

Finally, one commenter queried whether registration requirements apply to Agency-regulated institution employees who, in addition to a variety of customer service duties, only at times act as a mortgage loan originator and only with respect to a limited number of mortgage loan products. The Agencies note that an employee who meets the two-prong test is acting as a mortgage loan originator, even if that activity is not their primary job duty or the employee may only act as

a mortgage loan originator for a limited number of products. As described previously, the Agencies have provided a de minimis exception to address employees who act as mortgage loan originators with respect to a small number of mortgage loans. In this light, the Agencies received comments that suggested that an employee would be engaged in offering the terms of a loan only if the employee's compensation was based on the number of loans closed or the employee's engagement in mortgage lending. The Agencies do not agree with this suggestion and have finalized the examples relating to compensation as proposed. Therefore, an employee offers or negotiates terms of a loan for compensation or gain even if the employee does not receive a referral fee or commission or other special compensation for the mortgage loan.

[[Page 51644]]

#### IV. Regulatory Analysis

##### A. Regulatory Flexibility Act

OCC: The Regulatory Flexibility Act (RFA) \54\ requires Federal agencies to prepare and make available to the public a Final Regulatory Flexibility Analysis (FRFA) for a final rule, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. See 5 U.S.C. 603-605. For purposes of the RFA, a ``small entity'' within the jurisdiction of the OCC is a national bank or a Federal branch or agency with assets of \$175 million or less (small national bank).\55\ In the NPRM, the OCC certified, pursuant to section 605(b) of the RFA, that the proposal would not have a significant economic impact on a substantial number of small entities.\56\ The OCC's certification was based on an estimated average total compliance cost of \$18,800 per small national bank and the impact of compliance costs as a percentage of labor costs, as well as compliance costs as a percent of noninterest expenses. The OCC received one comment--from the Small Business Administration's Office of Advocacy (SBA Advocacy)--on the certification.

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 \54\ 5 U.S.C. 601-612.

\55\ 13 CFR 121.201.

\56\ In addition to the OCC, the Board, the FDIC, the OTS, the NCUA, and the FCA also certified in the proposed rule that the proposal would not have a significant economic impact on a substantial number of small entities. See 74 FR at 27398-27399.  
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Based in part on this comment letter, the OCC has reevaluated the effect of this final rule on small national banks, and, for the reasons stated below, has determined that this rule will have a significant economic impact on a substantial number of small entities. Therefore, we have prepared the following FRFA in accordance with 5 U.S.C. 604.

##### 1. Need for, and Objectives of, the Final Rule

The need for, and objectives of, this final rule are described in detail in the SUPPLEMENTARY INFORMATION section.

##### 2. Significant Issues Raised by Public Comments

In the comment it submitted, SBA Advocacy expressed concern that the factual basis for the OCC's (and other Agencies') conclusion that the proposal would not have a significant economic impact on a substantial number of small entities may be insufficient, noting that the OCC's certification did not specify the assumptions used concerning labor costs or noninterest expenses. SBA Advocacy stated its concern

that OCC's economic impact may be underestimated and sought clarification regarding the proposal's impact on the number of small national banks.\57\  
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\57\ A discussion of SBA Advocacy's comments on other provisions of the proposed rule, namely, the de minimis exception and the proposed 6-month initial compliance period, is contained in the SUPPLEMENTARY INFORMATION section of this final rule.  
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In part as a result of this comment letter, the OCC conducted further analysis of the effect of its rule on the banking industry as a whole and on small banks in particular. The OCC also obtained additional information about the impact of the proposal on national banks. As a result of this information we have modified our initial conclusions about the economic effect of the rule on small national banks.

### 3. Description and Estimate of Small Entities Affected by the Final Rule

For purposes of OCC regulation, the final rule applies to national banks, Federal branches and agencies of foreign banks, their operating subsidiaries (collectively referred to as national banks), and their employees who act as mortgage loan originators.

OCC estimates that 623 national banks with employees originating loans secured by residential real estate are small entities based on the SBA's general principles of affiliation (13 CFR 121.103(a)) and the size threshold for a small national bank. The OCC believes the final rule will have a significant impact on approximately 10 percent of these small national banks (65 banks).\58\ We classify the impact of total costs on a small national bank as significant if the total costs in a single year are greater than 5 percent of total salaries and benefits, or greater than 2.5 percent of total non-interest expense. Mean total costs per bank in the group of small banks where compliance costs are significant is approximately \$25,000 per bank.\59\  
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\58\ The OCC estimated the impact on small banks both with and without employee turnover because it is the OCC's understanding that the turnover rate at small banks is significantly lower than the rate at large banks and there may be no turnover for several years in a row at some banks. However, even without employee turnover, the final rule appears to have a significant impact on a substantial number of small banks.

\59\ The mean totals of the cost estimates (i.e., the higher cost estimate and the lower cost estimate) for all (623) small banks impacted by the final rule are \$32,000 and \$27,000 respectively. The mean total cost per small bank in the group of small banks where costs are significant is approximately \$26,000 under the higher cost estimate, and \$23,000 under the lower cost estimate.  
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### 4. Recordkeeping, Reporting, and Other Compliance Requirements

The final rule imposes requirements on both national banks and their employees who engage in the business of mortgage loan origination, regardless of the size of the national bank. Typical recordkeeping, administrative, computer technology and bank management skills will be needed to comply with all of the rule's requirements.

Reporting Requirements. Unless the de minimis exception applies, Sec. 34.103(a) of the final rule requires a mortgage loan originator

employed by a national bank to register with the Registry, maintain such registration, and obtain a unique identifier. Under Sec. 34.103(b), a bank must require each mortgage loan originator employee to comply with these requirements. Section 34.103(d) describes the categories of information that an employee, or the employing bank on the employee's behalf, must submit to the Registry, along with the employee's attestation as to the correctness of the information supplied, and the employee's authorization to obtain further information and make public some of this information. This section also requires the submission of the mortgage loan originator's fingerprints to the Registry.

Section 34.103(e) specifies bank and employee information that a bank must submit to the Registry in connection with the initial registration of one or more mortgage loan originators. The bank must annually renew this information and update this information if necessary between renewals. Authorized bank representatives must attest to the correctness of this information and that such information will be updated on a timely basis.

Disclosure Requirements. Section 34.105(b) requires the mortgage loan originator to provide the unique identifier to a consumer: (1) Upon request; (2) before acting as a mortgage loan originator; and (3) through the originator's initial written communication with a consumer, if any, whether on paper or electronically.

Section 34.105(a) requires the bank to make the unique identifier(s) of its mortgage loan originator(s) available to consumers in a manner and method practicable to the bank.

Recordkeeping and Compliance Requirements.

Section 34.104 requires a bank that employs one or more mortgage loan originators to adopt and follow written policies and procedures designed to assure compliance with this final rule.

[[Page 51645]]

These policies and procedures must be appropriate to the nature, size, complexity, and scope of their mortgage lending activities and will apply only to those employees acting within their scope of employment at the bank. At a minimum, these policies and procedures must establish a process for: (i) Identifying which employees are required to register, (ii) communicating the registration requirements to employees, (iii) complying with the rule's unique identifier requirements, (iv) confirming the adequacy and accuracy of employee registrations through comparisons with bank records, (v) monitoring employee compliance with the rule, (vi) independent compliance testing, (vii) taking appropriate actions with respect to employees who fail to comply with the registration requirements, (viii) reviewing employee criminal history background checks received pursuant to this rule, and (ix) monitoring third party compliance with the S.A.F.E. Act.

#### 5. Steps Taken To Address the Economic Impact on Small Entities

The final rule reflects the consideration given by the OCC, along with the other Agencies, to the impact that its requirements would have on small entities.

First, the Agencies have revised the rule's de minimis exception to reduce compliance burden. In the proposed rule, the Agencies established a de minimis exception that would have excepted from the registration requirements an employee of an Agency-regulated institution if, during the last 12 months: (1) The employee acted as a mortgage loan originator for 5 or fewer residential mortgage loans; and (2) the Agency-regulated institution employs mortgage loan originators who, while excepted from registration pursuant to this section, in the aggregate, acted as a mortgage loan originator in connection with 25 or

fewer residential mortgage loans. Many commenters on this provision noted the complexity of the proposed exception. One commenter stated that the de minimis exception would not have any significant effect because its complexity would outweigh its benefits. Others noted that the proposed exception would be difficult for an institution to monitor and maintain. Still others said that the proposed de minimis exception would be fairer, and much easier to apply, if the threshold limitation applied only to the employee or to the institution, but not both. SBA Advocacy specifically commented that the proposed de minimis exception would make the rule unduly burdensome on small community banks. In response to these and other comments and upon further analysis, the Agencies removed the institution threshold from this de minimis exception. As a result, the final rule's de minimis exception only contains the individual threshold, as well as a prohibition on any Agency-regulated institution from engaging in any act or practice to evade the limits of the de minimis exception. This revised exception should simplify compliance and therefore impose the least burden overall for institutions, including small entities.

The Agencies also considered, pursuant to section 1507(c) of the S.A.F.E. Act (12 U.S.C. 5106(c)), applying the requirements of the rule only to institutions above a certain asset threshold, such as the threshold for Home Mortgage Disclosure Act reporting. However, the Agencies agreed that this would not further the consumer protection purposes of the S.A.F.E. Act \60\ in that customers of smaller banks would not have the same information on mortgage loan originators as customers of larger institutions. In addition, we believed the exception should be structured so that employees of institutions of all sizes could qualify.

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\60\ Among other things, the objectives of the S.A.F.E. Act include: Enhancing consumer protections and supporting anti-fraud measures; increasing accountability and tracking of loan originators; and providing consumers with easily accessible information at no charge regarding the employment history of, and publicly adjudicated disciplinary and enforcement actions against, loan originators. S.A.F.E. Act at section 1502 (12 U.S.C. 5101).

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The OCC also has reviewed alternatives for small entity compliance, including eliminating the requirement for small banks to adopt and follow written policies and procedures addressing all of the elements described in the final rule. For example, under such an approach, a small bank's risk based compliance program might include only such procedures as are necessary to enable the bank to demonstrate compliance with the registration and renewal requirements of the S.A.F.E. Act. Although such an approach may have reduced the compliance cost per small bank, the OCC does not believe that it would best serve the interests of national banks or the OCC. Appropriate policies and procedures provide an institution and its employees with the expectations of the institution's board and include the specific implementing guidance that is applicable to the activities of that institution. Furthermore, such policies and procedures are necessary to enable examiners to evaluate the effectiveness of institutions' implementation of the S.A.F.E. Act requirements that apply to them. In reviewing this alternative, we determined that applying the policies and procedures requirement in the same way to all institutions, regardless of size, is necessary to ensure consistency in implementation and enforcement of the S.A.F.E. Act and is, therefore, the most appropriate way to ensure that the purposes of the S.A.F.E. Act

are met.

The OCC, and the other Agencies, also made changes to the final rule that reduce the impact that its requirements would have on all Agency-regulated financial institutions, including small entities. The final rule decreased the amount of information required for submission by a mortgage loan originator. Specifically, the final rule does not require submission of financial history information such as bankruptcies and liens; employment terminations; pending actions; and felonies unrelated to crimes of dishonesty. Furthermore, the Agencies declined to include loan modification activities in the final rule's definition of mortgage loan originator. Under the OCC's rule, Agency-regulated institution employees engaged solely in bona fide cost-free loss mitigation efforts which result in reduced and sustainable payments for the borrower generally would not meet the definition of "mortgage loan originator." This reduces the number of bank employees subject to the final rule's requirements.

Board: Pursuant to section 605(b) of the RFA, 5 U.S.C. 605(b), the regulatory flexibility analysis otherwise required under section 604 of the RFA is not required if the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities and publishes its certification and a short, explanatory statement in the Federal Register along with its rule.

The final rule implements the S.A.F.E. Act's Federal registration requirements for mortgage loan originators. The S.A.F.E. Act states that the objectives of this registration include providing increased accountability and tracking of mortgage loan originators and providing consumers with easily accessible information at no charge regarding mortgage loan originators. The Board is not aware of other Federal rules which may duplicate, overlap, or conflict with the proposed rule.

The final rule applies to all banks that are members of the Federal Reserve System (other than national banks) and certain of their respective subsidiaries, branches and Agencies of foreign banks (other than Federal branches, Federal

[[Page 51646]]

agencies, and insured State branches of foreign banks), and commercial lending companies owned or controlled by foreign banks.

Under the Board's final rule, employees of the above entities who act as residential mortgage loan originators must register with the Registry, obtain a unique identifier, and maintain this registration, consistent with the requirements of the S.A.F.E. Act. The above institutions must require their employees who act as residential mortgage loan originators to comply with the registration requirements and obtain a unique identifier. These institutions also must provide certain information to the Registry and must adopt and follow written policies and procedures designed to assure compliance with these requirements. The institutions and their employees must disclose the unique identifier of mortgage loan originators in compliance with the rule.

Under regulations issued by the Small Business Administration, \61\ a small entity includes a banking organization with assets of \$175 million or less (a small banking organization). As of December 31, 2008, there were approximately 433 State member banks that are small banking organizations. The Agencies proposed the de minimis exception in an effort to reduce compliance costs on small businesses.

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 \61\ See 13 CFR 121.201.  
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The Board received comment from the Office of Advocacy of the U.S. Small Business Administration on its RFA analysis. This commenter expressed concern that the factual basis for the Board's (and other agencies') RFA analysis was insufficient and that the Board and other agencies may have underestimated the costs associated with the proposed rule. The commenter queried whether legal compliance costs and training and tracking costs should be estimated and included in the analysis. Specifically with respect to the Board's RFA analysis, the commenter recommended that the Board use revenue, rather than profits, in determining economic impact since revenue may be a more transparent indicator than profits.

The Board notes that legal compliance costs, tracking compliance, and training have been included in the burden analyses for the rule. The Board estimates compliance costs to be \$7.6 million in the aggregate for the 433 small State member banks. As of December 31, 2008, these institutions had \$2.4 billion in revenues in the aggregate. Therefore, compliance costs would be less than 1% of revenues.

The Board notes that it has adopted in the final rule alternatives to the proposed rule, which have reduced compliance costs of the rule. The final rule decreased the amount of information required for submission by a mortgage loan originator. For example, the final rule does not require submission of financial history information such as bankruptcies and liens; employment terminations; pending actions; and felonies unrelated to crimes of dishonesty. Furthermore, the Agencies declined to include loan modification activities in the definition of mortgage loan originator, after considering comments on this issue, including those regarding the burden and costs of compliance. Under the Board's rule, modifying the terms of an existing loan to a borrower as part of the institution's loss mitigation efforts would not constitute acting as a mortgage loan originator for purposes of the S.A.F.E. Act.

In addition, the final rule simplifies the de minimis exception to registration requirements of the rule, thereby decreasing compliance costs and increasing the number of employees who will qualify for the individual limits required under the de minimis exception. Under the proposed rule, even if an employee was within the individual limit on mortgage loan origination activity, the employee still could not utilize the exception unless the institution itself was within the aggregate limit on unregistered mortgage loan originators. The Board notes that it has taken a conservative approach to estimating the compliance impact of the revised de minimis exception, assuming that at least as many small entities would not incur registration-related expenses under the final rule as the proposed rule. Further, the Board notes that small institutions typically do not originate a significant volume of mortgage loans.

The Board has not adopted other significant alternatives to the proposed rule. For example, the final rule continues to include a mandate for Agency-regulated institutions to require their mortgage loan originator employees to meet registration requirements and adopt policies and procedures to assure compliance. These requirements remain in the final rule because the Board believes that these provisions are necessary to achieve the objectives of the statute and to assure compliance with the rule.

Therefore, pursuant to section 605(b) of the RFA, the Board hereby certifies that this proposal will not have a significant economic impact on a substantial number of small entities. Although a regulatory flexibility analysis is not needed, the Board has voluntarily provided an analysis.

FDIC: In accordance with the RFA, 5 U.S.C. 601-612, an agency must publish a final regulatory flexibility analysis with its final rule,

unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities (defined for purposes of the RFA to include banks with less than \$175 million in assets). The FDIC hereby certifies that the final rule will not have a significant economic impact on a substantial number of small entities.

Approximately 3,116 FDIC-supervised banks are small entities. In the RFA analysis for the proposed rule, the FDIC determined that approximately 2,255 of those small entities would incur only those costs related to adopting and following appropriate policies and procedures, not registration-related expenses, because they originate 25 or fewer residential mortgage loans annually and therefore would not have qualified for the aggregate institution limit of the proposed rule's de minimis exception. Since the aggregate institution limit has been eliminated in the final rule, the exception will apply to a greater number of employees than under the proposed rule. However, because it is difficult to estimate how many more employees would be covered by the revised de minimis exception, a more conservative approach would be to assume that at least as many small entities would not incur registration-related expenses under the final rule as under the proposed rule (i.e., 2,255 small entities). For those 2,255 small entities, the set up costs are estimated to be about 0.5% of total non-interest expense and annual costs are estimated to be about 0.2% of total non-interest expenses (based on a mean non-interest expense of \$2.5 million reported by the 3,116 FDIC-supervised small entities for fourth quarter 2008).

Given the foregoing assumptions, only approximately 861 small entities supervised by the FDIC--about 28% of FDIC-supervised small entities--will be subject to all of the requirements of the final rule. For those 861 small entities, the estimated initial costs for complying with the final rule would represent, on average, approximately 0.7% of total non-interest expenses, and the annual compliance costs would represent, on average, approximately 0.3% of total non-interest expenses (based on the aforementioned mean non-interest expense of \$2.5 million).

For the 861 FDIC supervised small entities that will be subject to all of the

[[Page 51647]]

requirements of the final rule, the S.A.F.E. Act requirements will cost \$17,395 for set up and \$7,436 annually (based on an estimated 350 hours for set up, 113 hours for annual compliance, 11.435 mortgage loan originators per entity, and a weighted average labor cost of \$49.70 per hour). For the 2,255 FDIC supervised small entities that will incur only those costs related to adopting and following appropriate policies and procedures, the S.A.F.E. Act requirements will cost \$12,922 for set up (based on an estimated 260 labor hours and the aforementioned labor cost) and \$4,473 annually (based on an estimated 90 labor hours and the aforementioned labor cost).

OTS: The RFA\62\ requires Federal agencies to prepare and make available to the public a Final Regulatory Flexibility Analysis (FRFA) for a final rule, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. See 5 U.S.C. 603-605. For purposes of the RFA and OTS-regulated entities, a ``small entity'' within the jurisdiction of the OTS is a savings association with assets of \$175 million or less (small savings association). In the NPRM, the OTS certified, pursuant to section 605(b) of the RFA, that the regulatory flexibility analysis otherwise required under section 604 of the RFA was not required because the proposal would not have a significant economic impact on a



substantial number of small entities.\63\ The OTS's certification was based on an estimated average total compliance cost of \$13,311 per small savings association and the impact of compliance costs as a percentage of labor costs, as well as compliance costs as a percent of noninterest expenses. The OTS received one comment--from the Small Business Administration's Office of Advocacy (SBA Advocacy)--on the certification.

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\62\ 5 U.S.C. 601-612.

\63\ In addition to the OTS, the Board, the OCC, the FDIC, the NCUA, and the FCA also certified in the proposed rule that the proposal would not have a significant economic impact on a substantial number of small entities. See 74 FR at 27398-27399.

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Based in part on this comment letter, the OTS has reevaluated the effect of this final rule on small savings associations, and, based on the information provided below, has reaffirmed that this rule will not have a significant economic impact on a substantial number of small entities. Therefore, OTS is not required to prepare an FRFA under 5 U.S.C. 604. However, OTS believes that the initial analysis included in the proposed rule should be slightly modified, and therefore, we have included in the final rule a description of the economic effect on small savings associations and additional information addressing the final rule and the comment letter on the certification.

#### 1. Description and Estimate of Small Entities Affected by the Final Rule

For purposes of the OTS regulation, the final rule applies to savings associations and their operating subsidiaries and their employees who act as mortgage loan originators. In determining the economic impact on small savings associations, OTS determined that 385 small savings associations would potentially be affected by the final rule. We estimate that 23 of these savings associations, or 6 percent, have no mortgage loan originator (MLO) employees, and therefore, will incur no costs under the final rule. The remaining 362 small savings associations can be expected to incur costs under the final rule. Specifically, OTS estimates the average cost of compliance for these 362 small savings associations to be \$17,085. In order to determine whether the costs of compliance have a significant economic impact on this population of small savings associations, we compared each association's projected compliance costs to both its total annualized labor costs and to its total annualized noninterest expense. (Noninterest expense is typically used as a benchmark for ``overhead'' in financial firms.) If projected S.A.F.E. Act compliance costs exceeded 5 percent of a small saving association's total labor costs, or 2.5 percent of its noninterest expense, OTS considered the impact of compliance to be ``significant.'' These benchmarks have been used in the past by OTS and other Federal financial regulatory agencies. OTS estimates that 32 small savings associations, or 8.3 percent of the small savings association population, will experience a significant economic impact associated with compliance using the benchmarks described above. The average cost of compliance for these 32 savings associations is projected to be \$17,441. Pursuant to Sec. 605(b) of the RFA, OTS therefore certifies that this final rule will not have a significant economic impact on a substantial number of small entities, and, accordingly, a FRFA is not required.

#### 2. Need for, and Objectives of, the Final Rule

As described in the SUPPLEMENTARY INFORMATION, the objectives of this final rule are to implement the requirements of the S.A.F.E. Act.

Specifically, the final rule implements:

Section 1504 of the S.A.F.E. Act (12 U.S.C. 5103(a)), which provides that subject to the existence of a registration regime, an individual who is an employee of a depository institution may not engage in the business of a loan originator without first: (i) Obtaining and maintaining annually a registration as a registered loan originator, and, (ii) obtaining a unique identifier; and,

Section 1507 of the S.A.F.E. Act (12 U.S.C. 5106), which requires the Agencies to: (i) Jointly develop and maintain a system for registering employees of a depository institution and of a subsidiary that is owned and controlled by a depository institution and regulated by an Agency as registered loan originators with the National Mortgage License System and Registry (Registry); and (ii) furnish certain information, or cause it to be furnished, to the Registry.

### 3. Significant Issues Raised by Public Comments

As indicated above, the OTS did not publish an IRFA with the proposed rule. We therefore did not receive any comments specifically directed at an analysis in an IRFA. However, in the comment the SBA Advocacy submitted, it expressed concern that the factual basis for the OTS's (and other Agencies') conclusion that the proposal would not have a significant economic impact on a substantial number of small entities may be insufficient, noting that the OTS's certification did not specify the assumptions used concerning labor costs or noninterest expenses. In addition, SBA Advocacy stated its concern that OTS's economic impact may be underestimated and sought clarification regarding the proposal's impact on the number of small savings associations.\64\ SBA Advocacy recommended that the Agencies work with the industry to determine an accurate estimate of the economic impact of the rule on small entities and develop ways to minimize that burden. In part as a result of this comment letter and as noted above, the OTS conducted further analysis of the effect of our rule on the savings association industry as a whole and on small savings associations in particular.

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 \64\ A discussion of SBA Advocacy's comments on other provisions of the proposed rule, namely, the de minimis exception and the proposed 6-month compliance period, is contained in the SUPPLEMENTARY INFORMATION section of this final rule.  
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### 4. Recordkeeping, Reporting, and Other Compliance Requirements

The final rule applies to savings associations, their operating subsidiaries

[[Page 51648]]

(collectively referred to as savings associations), and their employees who act as mortgage loan originators. Typical recordkeeping, administrative, computer technology and savings association management skills will be needed to comply with all of the rule's requirements.

Reporting Requirements. Unless the de minimis exception applies, Sec. 563.103(a) of the final rule requires a mortgage loan originator employed by a savings association to register with the Registry, maintain such registration, and obtain a unique identifier. Under Sec. 563.103(b), an association must require each mortgage loan originator employee to comply with these requirements. Section 563.103(d) describes the categories of information that an employee, or the employing savings association on the employee's behalf, must submit to the Registry, along with the employee's attestation as to the

correctness of the information supplied, and the employee's authorization to obtain further information and make public some of this information. This section also requires the submission of the mortgage loan originator's fingerprints to the Registry.

Section 563.103(e) specifies savings association and employee information that an association must submit to the Registry in connection with the initial registration of one or more mortgage loan originators. The savings association must annually renew this information and update this information if necessary between renewals. Authorized savings association representatives must attest to the correctness of this information and that such information will be updated on a timely basis.

Disclosure Requirements. Section 563.105(b) requires the mortgage loan originator to provide the unique identifier to a consumer: (1) Upon request; (2) before acting as a mortgage loan originator; and (3) through the originator's initial written communication with a consumer, if any, whether on paper or electronically.

Section 563.105(a) requires the savings association to make the unique identifiers of its mortgage loan originators available to consumers in a manner and method practicable to the association.

Recordkeeping and Compliance Requirements. Section 563.104 requires a savings association that employs one or more mortgage loan originators to adopt and follow written policies and procedures designed to assure compliance with this final rule. These policies and procedures must be appropriate to the nature, size, complexity, and scope of their mortgage lending activities and will apply only to those employees acting within their scope of employment at the savings association. At a minimum, these policies and procedures must establish a process for: (i) Identifying which employees are required to register, (ii) communicating the registration requirements to employees, (iii) complying with the rule's unique identifier requirements, (iv) confirming the adequacy and accuracy of employee registrations through comparisons with savings association records, (v) monitoring employee compliance with the rule, (vi) independent compliance testing, (vii) taking appropriate actions with respect to employees who fail to comply with the registration requirements, (viii) reviewing employee criminal history background checks received pursuant to this rule, and (ix) monitoring third party compliance with the S.A.F.E. Act.

#### 5. Steps Taken To Address the Economic Impact on Small Entities

The final rule reflects the consideration given by the OTS, along with the other Agencies, to the impact that its requirements would have on small entities. First, the Agencies have revised the rule's de minimis exception to reduce compliance burden. In the proposed rule, the Agencies established a de minimis exception that would have excepted from the registration requirements an employee of an Agency-regulated institution if, during the last 12 months: (1) The employee acted as a mortgage loan originator for 5 or fewer residential mortgage loans and (2) the Agency-regulated institution employs mortgage loan originators who, while excepted from registration pursuant to this section, in the aggregate, acted as a mortgage loan originator in connection with 25 or fewer residential mortgage loans. Many commenters on this provision noted the complexity of the proposed exception. One commenter stated that the de minimis exception would not have any significant effect because its complexity would outweigh its benefits. Others noted that the proposed exception would be difficult for an institution to monitor and maintain. Still others said that the proposed de minimis exception would be fairer, and much easier to apply, if the threshold limitation applied only to the employee or to the institution, but not both. SBA Advocacy specifically commented that

the proposed de minimis exception would make the rule unduly burdensome on small community institutions. In response to these and other comments and upon further analysis, the Agencies removed the institution threshold from this de minimis exception. As a result, the final rule's de minimis exception only contains the individual threshold, as well as a prohibition on any Agency-regulated institution from engaging in any act or practice to evade the limits of the de minimis exception. This revised exception should simplify compliance and therefore impose the least burden overall for institutions, including small entities.

The OTS also has reviewed alternatives for small entity compliance, including eliminating the requirement for small savings associations to adopt and follow written policies and procedures addressing all of the elements described in the final rule. For example, under such an approach, a small savings association's risk based compliance program might include only such procedures as are necessary to enable the association to demonstrate compliance with the registration and renewal requirements of the S.A.F.E. Act and the final rule. Although such an approach may have reduced the compliance cost per small savings association, the OTS does not believe that it would best serve the interests of savings associations or the OTS. Appropriate policies and procedures provide an institution and its employees with the expectations of the institution's board and include the specific implementing guidance that is applicable to the activities of that institution. Furthermore, such policies and procedures are necessary to enable examiners to evaluate the effectiveness of institutions' implementation of the S.A.F.E. Act requirements that apply to them. In reviewing this alternative, we determined that applying the policies and procedures requirement in the same way to all institutions, regardless of size, is necessary to ensure consistency in implementation and enforcement of the S.A.F.E. Act and is, therefore, the most appropriate way to ensure that the purposes of the S.A.F.E Act are met.

The OTS, and the other Agencies, also made changes to the final rule that reduce the impact that its requirements would have on all Agency-regulated financial institutions, including small entities. The final rule decreased the amount of information required for submission by a mortgage loan originator. Specifically, the final rule does not require submission of financial history information such as bankruptcies and liens; employment and terminations; pending actions; and felonies unrelated to crimes of dishonesty. Furthermore, the Agencies declined to include loan modification

[[Page 51649]]

activities in the final rule's definition of mortgage loan originator. Under the OTS's rule, Agency-regulated institution employees engaged solely in bona fide cost-free loss mitigation efforts, which result in reduced and sustainable payments for the borrower generally would not meet the definition of "mortgage loan originator." This reduces the number of savings association employees subject to the final rule's requirements.

FCA: Pursuant to section 605(b) of the RFA (5 U.S.C. 601 et seq.) the FCA certifies that the final rule will not have a significant economic impact on a substantial number of small entities. Each of the banks in the Farm Credit System, considered together with its affiliated associations, has assets and annual income in excess of the amounts that would qualify them as small entities.

The comment letter from the Office of Advocacy in the Small Business Administration (SBA) stated that the FCA did not provide any

information about the potential impact of the rule on FCS institutions. The RFA requires each agency to certify that a rulemaking will not have a significant economic impact on a significant number of small entities. The FCA observes that the RFA definition of ``small entity'' derives from the SBA's definition of ``small business concern,'' including size standards. According to section 3(a)(1) of the Small Business Act, as amended, a small business concern is independently owned and operated, and it is not dominant in its field of operation. Whether a business concern is ``independently owned and operated'' depends, in part, on its affiliation with other business entities. Generally, an affiliate is either controlled by, or has control over another entity. Businesses that are economically dependent on each other because of their ownership, management, and contractual relationships may be affiliates. FCS associations own and control their funding banks. Additionally, FCS associations borrow exclusively from their funding banks, and they pledge virtually all of their loans and other assets to these banks to secure their loans. For these reasons, the FCA has determined that the interrelated ownership, control, and contractual relationships are sufficient to treat FCS banks and associations as a single entity for the purposes of the RFA.

SBA regulations also establish size categories to determine whether entities that engage in ``Credit Intermediation and Related Activities'' are small business concerns. These regulations categorize ``All Other Non-Depository Credit Intermediation'' institutions as small entities if their annual receipts are \$7 million or less. As affiliated entities, the combined annual receipts of each Farm Credit bank and its affiliated associations exceed \$7 million. For this reason, FCS institutions do not qualify as small entities under the RFA.

NCUA: In accordance with the RFA, 5 U.S.C. 601-612, NCUA must publish a regulatory flexibility analysis with its final rule, unless NCUA certifies that the rule will not have a significant economic impact on a substantial number of small entities (defined for purposes of the RFA to include credit unions with less than \$10 million in assets). Approximately 2,995 out of 7,554 Federally insured credit unions and 61 out of 156 non-Federally insured credit unions are small entities. NCUA hereby certifies that the final rule would not have a significant economic impact on a substantial number of these small entities.

The final rule will apply to all Federally insured credit unions, non-Federally insured credit unions located in States where the State supervisory authorities enter into and maintain MOUs with NCUA, and employees who act as mortgage originators for these credit unions. The final rule imposes no requirements on credit unions not originating residential mortgages. This accounts for 1,923 of the 2,995 small, Federally insured credit unions and 45 of the 61 small, non-Federally insured credit unions.

Under the final rule, all these credit unions, including small entities, originating any residential mortgages must have policies and procedures in place for mortgage loan origination registration. This currently includes only about 1,072 of the 2,995 small, Federally insured credit unions, and only about 16 of the 61 small, non-Federally insured credit unions. The policies and procedures must be appropriate to the nature, size, complexity, and scope of the credit unions' mortgage lending activities and will apply only to those employees acting within their scope of credit union employment.

Approximately 2,716 of the 2,995 small, Federally insured credit unions, and 15 of the 16 small, non-Federally insured credit unions, would qualify for the final rule's de minimis exception to the registration requirements for mortgage loan originators because they

originate fewer than five or no residential mortgage loans. Those credit unions not originating mortgages have no obligations under this final rule. Those small credit unions and their employees originating between one and four mortgages per year are not subject to the final rule's registration requirements and, thus, drafting and implementing the policies and procedures will not be burdensome.

Accordingly, NCUA estimates only about 279 of the 2,995 small Federally insured credit unions, about 9.3% of them, and only one of the 61 small, non-Federally insured credit unions, about 1.6%, will be subject to the final rule's registration requirements and will establish policies and procedures for the registration.

Therefore, for all of the above reasons, NCUA concludes the final rule would not have a significant economic impact on a substantial number of small credit unions.

#### B. Paperwork Reduction Act

In accordance with the requirements of the Paperwork Reduction Act of 1995, the agencies may not conduct or sponsor, and respondents are not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number.

The information collection requirements contained in this joint final rule have been submitted by the OCC, FDIC, OTS, and NCUA to, and pre-approved by, OMB under section 3506 of the PRA and Sec. 1320.11 of OMB's implementing regulations (5 CFR part 1320). The FCA collects information from Farm Credit System institutions, which are Federal instrumentalities, in the FCA's capacity as their safety and soundness regulator, and, therefore, OMB approval is not required for this collection. The Board reviewed the proposed rule under the authority delegated to the Board by the Office of Management and Budget. The final rule contains requirements subject to the PRA. The requirements are found in 12 CFR ----.103(a)-(b), (d)-(e), ----.104, and ----.105.

No comments concerning PRA were received in response to the notice of proposed rulemaking. Therefore, the hourly burden estimates for respondents noted in the proposed rule have not changed. The agencies have an ongoing interest in your comments. They should be sent to [Agency] Desk Officer, [OMB Control No.], by mail to U.S. Office of Management and Budget, 725 17th Street, NW., 10235, Washington, DC 20503, or by fax to (202) 395-6974. Written comments should address:

(a) Whether the collection of information is necessary for the proper performance of the Federal banking agencies' functions, including whether the information has practical utility;

[[Page 51650]]

(b) The accuracy of the estimates of the burden of the information collection, including the validity of the methodology and assumptions used;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of the information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and

(e) Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

#### C. OCC Executive Order 12866 Determination

Executive Order 12866 requires each Federal agency to provide to

the Administrator of OMB's Office of Information and Regulatory Affairs (OIRA) a Regulatory Impact Analysis for agency actions that are found to be ``significant regulatory actions.'' ``Significant regulatory actions'' include, among other things, rulemakings that ``have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities.'' \65\ Regulatory actions that satisfy one or more of these criteria are referred to as ``economically significant regulatory actions.'' In conducting this Regulatory Impact Analysis, Executive Order 12866 requires each Federal agency to provide to OIRA:

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\65\ Executive Order 12866 (September 30, 1993), 58 FR 51735 (October 4, 1993). For the complete text of the definition of ``significant regulatory action,'' see E.O. 12866 at Sec. 3(f). A ``regulatory action'' is ``any substantive action by an agency (normally published in the Federal Register) that promulgates or is expected to lead to the promulgation of a final rule or regulation, including notices of inquiry, advance notices of proposed rulemaking, and notices of proposed rulemaking.'' E.O. 12866 at Sec. 3(e).

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The text of the draft regulatory action, together with a reasonably detailed description of the need for the regulatory action and an explanation of how the regulatory action will meet that need;

An assessment of the potential costs and benefits of the regulatory action, including an explanation of the manner in which the regulatory action is consistent with a statutory mandate and, to the extent permitted by law, promotes the President's priorities and avoids undue interference with State, local, and Tribal governments in the exercise of their governmental functions;

An assessment, including the underlying analysis, of benefits anticipated from the regulatory action (such as, but not limited to, the promotion of the efficient functioning of the economy and private markets, the enhancement of health and safety, the protection of the natural environment, and the elimination or reduction of discrimination or bias) together with, to the extent feasible, a quantification of those benefits;

An assessment, including the underlying analysis, of costs anticipated from the regulatory action (such as, but not limited to, the direct cost both to the government in administering the regulation and to businesses and others in complying with the regulation, and any adverse effects on the efficient functioning of the economy, private markets (including productivity, employment, and competitiveness), health, safety, and the natural environment), together with, to the extent feasible, a quantification of those costs; and

An assessment, including the underlying analysis, of costs and benefits of potentially effective and reasonably feasible alternatives to the planned regulation, identified by the agencies or the public (including improving the current regulation and reasonably viable nonregulatory actions), and an explanation why the planned regulatory action is preferable to the identified potential alternatives.

The OCC has concluded that the final rule exceeds the \$100 million criterion and therefore is an economically significant regulatory action. As required by Executive Order 12866, the OCC prepared a Regulatory Impact Analysis, which was submitted to OIRA on January 8,

2010. The OCC's final set of revisions responding to OIRA comments was submitted on July 1, 2010. As discussed in more detail in the Regulatory Impact Analysis, the OCC determined that given the constraints imposed on the OCC by the S.A.F.E. Act, and based on the estimated mean cost, the rule was the least cost option available to the OCC. The OCC's Regulatory Impact Analysis in its entirety is available at <http://www.regulations.gov>, docket ID OCC-2010-0007.

#### D. OTS Executive Order 12866 Determination

Executive Order 12866 requires each Federal agency to provide the Administrator of OMB's OIRA a Regulatory Impact Analysis for agency actions that are found to be "significant regulatory actions." Significant regulatory actions include, among other things, rulemakings that "have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or Tribal governments or communities." \66\ Regulatory actions that satisfy one or more of these criteria are referred to as "economically significant regulatory actions." In conducting this Regulatory Impact Analysis, Executive Order 12866 requires each Federal agency to provide to OIRA:

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\66\ Executive Order 12866 (September 30, 1993), 58 FR 51735 (October 4, 1993). For the complete text of the definition of "significant regulatory action," see E.O. 12866 at Sec. 3(f). A "regulatory action" is "any substantive action by an agency (normally published in the Federal Register) that promulgates or is expected to lead to the promulgation of a final rule or regulation, including notices of inquiry, advance notices of proposed rulemaking, and notices of proposed rulemaking." E.O. 12866 at Sec. 3(e).

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The text of the draft regulatory action, together with a reasonably detailed description of the need for the regulatory action and an explanation of how the regulatory action will meet that need;

An assessment of the potential costs and benefits of the regulatory action, including an explanation of the manner in which the regulatory action is consistent with a statutory mandate and, to the extent permitted by law, promotes the President's priorities and avoids undue interference with State, local, and Tribal governments in the exercise of their governmental functions;

An assessment, including the underlying analysis, of benefits anticipated from the regulatory action (such as, but not limited to, the promotion of the efficient functioning of the economy and private markets, the enhancement of health and safety, the protection of the natural environment, and the elimination or reduction of discrimination or bias) together with, to the extent feasible, a quantification of those benefits;

An assessment, including the underlying analysis, of costs anticipated from the regulatory action (such as, but not limited to, the direct cost both to the government in administering the regulation and to businesses and others in complying with the regulation, and any adverse effects on the efficient functioning of the economy, private markets (including productivity, employment, and competitiveness), health, safety, and the natural environment), together with, to the extent feasible, a quantification of those costs; and



[[Page 51651]]

An assessment, including the underlying analysis, of costs and benefits of potentially effective and reasonably feasible alternatives to the planned regulation, identified by the agencies or the public (including improving the current regulation and reasonably viable nonregulatory actions), and an explanation why the planned regulatory action is preferable to the identified potential alternatives.

The OTS has determined that this final rule is not a significant regulatory action under Executive Order 12866. We have concluded that the changes made by this final rule will not have an annual effect on the economy of \$100 million or more. The OTS further concludes that this final rule does not meet any of the other standards for a significant regulatory action set forth in Executive Order 12866. As required by Executive Order 12866, the OTS prepared a Regulatory Impact Analysis, which was submitted to OIRA on March 9, 2010. The OTS's final revisions were submitted to OIRA on July 12, 2010. As discussed in more detail in the Regulatory Impact Analysis, the OTS determined that given the constraints imposed on the OTS by the S.A.F.E. Act, and based on the estimated cost, the rule was the least cost option available to the OTS. The OTS's Regulatory Impact Analysis in its entirety is available at <http://www.regulations.gov>, Docket No. OTS-2010-0021.

#### E. OCC and OTS Unfunded Mandates Reform Act of 1995 Determination

Section 202 of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1532), requires the OCC and OTS to prepare a budgetary impact statement before promulgating a rule that includes a Federal mandate that may result in the expenditure by State, local, and Tribal governments, in the aggregate, or by the private sector, of \$133 million or more in any one year. However, this requirement does not apply to regulations that incorporate requirements specifically set forth in law. Because this proposed rule implements the S.A.F.E. Act, the OTS and OCC have not conducted an Unfunded Mandates Analysis for this rulemaking.\67\  
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\67\ See 2 U.S.C. 1531.  
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#### F. OCC and OTS Executive Order 13132 Determination

E.O. 13132 sets forth certain ``Fundamental Federalism Principles'' and ``Federalism Policymaking Criteria'' that must be followed by the OCC and OTS in developing any regulation that has Federalism implications. A regulation has Federalism implications if it has ``substantial direct effects on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government.'' If a rule meets the test for Federalism implications, the executive order requires the agency, among other things, to prepare a Federalism summary impact statement for inclusion in the rule's SUPPLEMENTARY INFORMATION section and must consult with State and local officials about the rule. The OCC and OTS have determined that their respective portions of the final rule do not have a substantial direct effect on the States, on the connection between the national government and the States, or on the distribution of power and responsibilities among the various levels of government. Therefore, the final rule does not have any Federalism implications for purposes of Executive Order 13132.

## G. NCUA Executive Order 13132 Determination

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their actions on State and local interests. In adherence to fundamental Federalism principles, the NCUA, an independent regulatory agency as defined in 44 U.S.C. 3502(5) voluntarily complies with the Executive Order. The final rule applies to credit unions and would not have substantial direct effects on the States, on the connection between the national government and the States, or on the distribution of power and responsibilities among the various levels of government. The NCUA has determined that the final rule does not constitute a policy that has Federalism implications for purposes of the Executive Order.

## H. NCUA: The Treasury and General Government Appropriations Act, 1999-- Assessment of Federal Regulations and Policies on Families

The NCUA has determined that this final rule would not affect family well-being within the meaning of section 654 of the Treasury and General Government Appropriations Act, 1999, Public Law 105-277, 112 Stat. 2681 (1998).

## I. NCUA: Small Business Regulatory Enforcement Fairness Act

The Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104-121) (SBREFA) provides generally for congressional review of agency rules. A reporting requirement is triggered in instances where NCUA issues a final rule as defined by section 551 of the Administrative Procedure Act. 5 U.S.C. 551. NCUA does not believe this final rule is a ``major rule'' within the meaning of the relevant sections of SBREFA. NCUA has submitted the rule to the Office of Management and Budget (OMB) for its determination and OMB concurred that the rule is not a major rule.

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