

CSBS and NMLS Explained

To mortgage loan originators the purpose and activities of various national associations and agencies, which are most often known only by their acronyms, may seem confusing and complicated. In this article, we will describe and clarify the missions of, agencies including the Conference of State Bank Supervisors (CSBS), the American Association of Residential Mortgage Regulators (AARMR), and the Nationwide Mortgage Licensing System (NMLS). We'll describe these entities in relation to the mortgage industry, and how they relate to one another, the state regulatory agencies, and the MLOs in neighborhood offices.

Conference of State Bank Supervisors (CSBS)

Founded in 1902 as a clearinghouse for ideas to solve common problems of state bank regulators, the Conference of State Bank Supervisors is based in Washington, DC and is committed to advancing professionalism in all state banking departments. CSBS is the only national organization dedicated to protecting and advancing our nation's dual banking system.

To understand what that means, we need to go back to the era of the Civil War. In 1863, in an attempt to retire the greenbacks that it had issued to finance the North's military effort in the Civil War, Congress passed the National Bank Act. This made it possible to charter banks nationally. Concurrently, by the 1880s the rise of the demand deposit account, also known as a checking account, changed the primary source of revenue for many state banks. The result of these trends was the creation of the "dual banking system," whereby new banks may choose either state or national charters. National banks have the word "National" or "N.A." in the name of the bank (i.e. Citibank N.A.). National banks are regulated by the Office of the Comptroller of the Currency, Department of the Treasury.

CSBS is a professional trade association that acts to promote and defend the dual-banking system, and more specifically to promote and defend the interests of properly regulated state-chartered banks. The goals of CSBS include:

• By acting as a voice in Washington to promote the authority of individual states to regulate the activities of state-chartered financial institutions, and to represent the state banking system to federal and state legislative and regulatory agencies.

• Through education and training, to strengthen the professionalism of state banking departments and state banking regulators.

• In the new era of financial modernization, to ensure that all banks continue to have the flexibility and choice of the state charter.

CSBS believes that the states must retain their role as the front-line, grass-roots regulator for the financial services industry, and that federal regulatory preemption of state laws endangers the dual banking system and consumer protection. Why at the state level? Because bank supervision at the state level provides regulators who are accessible, are in tune with the local economy, who understand state laws, and who are knowledgeable about the local consumer.

CSBS promotes the safety and soundness of individual financial institutions and the overall banking system through two key activities: bank supervision and examination, and comprehensive training and education programs for state bank examiners.

The defence of state banking against perceived federal intrusion is ongoing on many fronts. For example, CSBS believes that for the supervision of an interstate bank the primary regulator should be the banking supervisor of the bank's home state. The agency supports the authority of the states to permit banks to develop new services to market to their customers, and believes that states must continue to play a major regulatory and enforcement role in the supervision of the mortgage industry.

Continuing education and executive programs that are designed for senior-level regulators, state banking department management, and area specialists help ensure a high level of professionalism. CSBS education programs cover areas including management, emerging issues, safety and soundness regulation, trust, law, and technology. The programs are targeted to state banking department personnel but participants from the banking industry may attend selected programs.

The association's continuing education and executive programs are developed to address the evolving issues of the financial industry. The content changes yearly and participants have an opportunity to learn from each other as well as become familiar with industry hot topics of the moment.

American Association of Residential Mortgage Regulators (AARMR)

Based in Washington, DC, the American Association of Residential Mortgage Regulators (AARMR) is a professional trade association that promotes communication between and among state officials who are responsible for the administration and regulation of residential mortgage lending, servicing

and brokering. The group develops model legislation applicable to the administration and regulation of mortgage lending, servicing and brokering. Like CSBS, AARMR provides education programs; in its case they seek to increase the knowledge and ability of both those engaged in the administration and enforcement of mortgage regulation, and the MLOs engaged in mortgage lending, servicing or brokering. Educational activities include organizing and sponsoring lectures, seminars, and training programs, and by providing a forum for the exchange of information.

Working together, CSBS and AARMR created and today promote the Nationwide Mortgage Licensing System (NMLS), an automated, internet-based nationwide mortgage licensing system that provides state regulators, the mortgage industry, and the general public with a centralized source of information about state-licensed mortgage providers.

Nationwide Mortgage Licensing System (NMLS)

In response to the increased volume and variety of residential mortgage originators, and the need to address these changes with modern tools and authorities, in 2004 CSBS and AARMR created the Nationwide Mortgage Licensing System (NMLS). It is owned and operated by the State Regulatory Registry LLC (SRR), a wholly owned subsidiary of CSBS. SRR is governed by a six-member Board of Managers comprised of state banking commissioners and a representative of AARMR. The SRR Board of Managers is responsible for all system development, operations, and policy matters concerning NMLS.

NMLS is a secure, internet-based licensing system for the residential mortgage industry. The system has been built and is maintained by the Financial Industry Regulatory Authority (FINRA), which is the largest independent regulator for all securities firms doing business in the United States. Created in July 2007 through the consolidation of the National Association of Securities Dealers (NASD) and the member regulation, enforcement and arbitration functions of the New York Stock Exchange, FINRA provides both regulatory and compliance and technology-based services.

NMLS itself does not grant or deny license authority. NMLS administers the licensing process of mortgage originators in all participating states, the District of Columbia and U.S. territories. In these jurisdictions, NMLS is the official and sole system for individuals and companies seeking to apply for, amend, renew, and surrender licenses managed in the NMLS on behalf of the jurisdiction's governmental agencies. Regulators use NMLS to process and manage licenses within their jurisdictions. In the NMLS system, a single licensing record is created and maintained for each licensed company, branch, loan officer, and control person. This single record is used by regulators to evaluate license applications and renewals.

By providing a centralized and standardized system for mortgage licensing, NMLS streamlines the licensing process for both regulatory agencies and the mortgage industry. Indirectly, NMLS serves the mission of CSBS by maintaining the viability of autonomous state regulation of state-chartered mortgage originators.

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About the Author

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