

**BUREAU OF CONSUMER FINANCIAL PROTECTION
PAPERWORK REDUCTION ACT SUBMISSION
INFORMATION COLLECTION REQUEST**

**SUPPORTING STATEMENT PART A
REGISTRATION OF MORTGAGE LOAN ORIGINATORS
(REGULATION G) 12 CFR 1007
(OMB CONTROL NUMBER: 3170-0005)**

OMB TERMS OF CLEARANCE:

Not applicable. The Office of Management and Budget (OMB) did not provide Terms of Clearance when approved this information collection on June 11, 2012.

ABSTRACT:

Regulation G implements the Secure and Fair Enforcement for Mortgage Licensing Act (the S.A.F.E. Act), federal registration requirement with respect to any covered financial institutions, and their employees who act as residential mortgage loan originators (MLOs), to register with the Nationwide Mortgage Licensing System and Registry, obtain a unique identifier, maintain this registration, and disclose to consumers the unique identifier. The rule also requires the covered financial institutions employing these MLOs to adopt and follow written policies and procedures to ensure their employees comply with these requirements and to disclose the unique identifiers of their MLOs.

A. JUSTIFICATION

1. Circumstances Necessitating the Data Collection

On October 1, 2010, the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), the Farm Credit Administration (FCA), and the National Credit Union Administration (NCUA) (collectively, the Federal Registry Agencies) issued a joint rule titled Registration of Mortgage Loan Originators (75 FR 51623). The rule implemented the Secure and Fair Enforcement for Mortgage Licensing Act (the S.A.F.E. Act), enacted June 30, 2008. The FDIC maintains this approval for this information collection under OMB Control number 3064-0171 and the Federal Reserve board's control number for this collection is 7100-0328. The OCC and NCUA previously maintained approval for this collection under OMB control numbers 1557-0243 and 3064-0171 respectively. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) amended a number of consumer financial protection laws, including the S.A.F.E. Act. In addition to minor amendments, the Dodd-Frank Act transferred certain rulemaking authority for the S.A.F.E. Act to the CFPB, effective July 21, 2011, and also granted the Bureau rulemaking authority pursuant to the S.A.F.E. Act with respect to employees of institutions regulated by the Farm Credit

Administration. The CFPB regulation implementing the S.A.F.E. Act, known as Regulation G, has been added to 12 CFR Part 1007.

Regulation G implements the S.A.F.E. Act's federal registration requirement with respect to any covered financial institutions, and their employees who act as residential mortgage loan originators (MLOs), to register with the Nationwide Mortgage Licensing System and Registry, obtain a unique identifier, maintain this registration, and disclose to consumers the unique identifier. The rule also requires the covered financial institutions employing these MLOs to adopt and follow written policies and procedures to ensure their employees comply with these requirements and to disclose the unique identifiers of their MLOs.

NMLSR was created by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators. It is operated by the State Regulatory Registry LLC, a wholly owned subsidiary of Conference of State Bank Supervisors.

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 (MLOs); 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, MLOs. The information is used by employers to ascertain whether MLOs are prohibited from being hired due to violations of other financial statutory requirements, or in general whether an individual is fit for employment by the institution. The information is also used by consumers, as described above. Finally, Federal regulatory agencies use this information to ascertain whether employers are meeting the requirements of using this system's information to make judgments on MLO hires; the information also gives agencies an improved means of tracking MLOs and taking appropriate action in cases of consumer harm.

2. Use of the Information

The data collected in the registry are described in more detail in 12 CFR Part 1007, as well as in the supplementary documents attached to this supporting statement, and include information and supporting documentation to the extent required by the registry. In particular, the information collected includes specific identifying information including name, home address, business contact information, social security number, gender, and date and place of birth; financial services-related employment history for the past ten years, including convictions and civil actions of the individual related to financial services-related activities; action orders regarding breaches of trust, dishonesty, or unfair or unethical actions; suspensions of authority to act as an attorney, accountant, or state or Federal contractor; and fingerprints of the individual for use in criminal history background checks. The confidentiality of this information, except the information provided to the public, is secured by 12 USC 15111(a), which essentially extends any existing privacy protections provided by state or federal laws to the information submitted to NMLSR.

Part of the information is made available to general public, following S.A.F.E. Act's goal of providing consumers with information regarding individual MLO's. In accordance with 12

USC 15111(d), information available to the public includes: name, phone number, work address, employment history (including self-reported employment history not related to mortgage origination), currently held state licenses, as well as state regulatory actions, if any.

This information is submitted in electronic form from MLOs and their employers and reported to the Nationwide Mortgage Licensing System and Registry (NMLSR), a web-based system developed and maintained by the Conference of State Bank Supervisors and the American Association of Residential Mortgage regulators jointly through the State Regulatory Registry LLC.

The information is used primarily by employers to ascertain whether MLOs are prohibited from being hired due to violations of other financial statutory requirements, or in general whether an individual is fit for employment by the institution. The information is also used by consumers, who are able to go onto the Consumer Access website for NMLSR and check the employment history and disciplinary records of MLOs, primarily in connection with one whom the consumer is considering using as an agent to obtain a mortgage. A secondary use is for Federal regulatory agencies to ascertain whether employers are meeting the requirements of using this system's information to make judgments on MLO hires, and gives them an improved means of tracking MLOs and taking appropriate action in cases of consumer harm.

3. Use of Information Technology

Section 1502 of the S.A.F.E. Act (12 USC 5101) establishes the Nationwide Mortgage Licensing System and Registry, with a specific requirement that consumers have access to the Registry through the Internet. Although the Act does not specifically call for electronic means of registration, in practice all submissions of information collections are made using the web interface of the Nationwide Mortgage Licensing System and Registry, a web-based system developed and maintained by the State Regulatory Registry LLC. The electronic form is stored in a secured, centralized repository.

4. Efforts to Identify Duplication

Substantially all of the information collected is not otherwise available.

5. Efforts to Minimize Burdens on Small Entities

This collection of information imposes on covered entities, regardless of size, only the minimum burden necessary to accomplish the program objectives discussed in Items 1 and 2. Though small entities will be required to take steps to ensure compliance with the rule, the rule does contain an exception from registration as a mortgage loan originator for an employee of any covered entity if, during the preceding 12 month period, the employee acted as a mortgage loan originator for 5 or fewer residential mortgage loans.

6. Consequences of Less Frequent Collection and Obstacles to Burden Reduction

Compliance with Regulation G requires timely registration, annual registration renewals and maintaining the accuracy of the information supplied. A less frequent collection will undermine the quality of information. Currently every effort is made to reduce the burden of information submission, such as batch processing for employers, as well as auto-completion of individual forms whereby an individual MLO needs to provide information only if material circumstances have changed.

7. Circumstances Requiring Special Information Collection

Regulation G's information collection components are consistent with the applicable guidelines contained in 5 CFR 1320.5(d)(2).

8. Consultation Outside the Agency

In accordance with 5 CFR §1320.8(d)(1), the Bureau has published a notice Federal Register allowing the public 60 days to comment on this proposed the extension (renewal) of this currently approved collection of information. No comments were received in response to this notice. Further and in accordance with 5 CFR §1320.5(a)(1)(iv), the Bureau also published a notice in the Federal Register allowing the public 30 days to comment on the submission of this information collection request to the Office of Management and Budget.

In addition, we have consulted with the Conference of State Bank Supervisors to confirm our understanding of the costs and counts relevant to the PRA burden of this regulation.

9. Payments or Gifts to Respondents

No payments or gifts are provided to respondents.

10. Assurances of Confidentiality

Generally, the confidentiality of information collected by the Registry is provided by 12 USC 5111.

The respondents submit information directly into NMLSR, while CFPB obtains data from NMLSR under an MOU agreement with the State Regulatory Registry LLC, an organization that maintains NMLSR. The current NMLSR user agreements and privacy policies can be found at <http://mortgage.nationwidelicencingsystem.org/about/Pages/Policies.aspx>.

Whenever CFPB receives information obtained through NMLSR, CFPB shall treat the information in accordance with applicable federal law, including but not limited to the Bureau's confidentiality rules, 12 C.F.R. Part 1070, and the federal laws and regulations that apply to federal agencies for the protection of privacy, confidentiality, security and integrity.

The information collected under this information collection includes direct identifying personally identifiable information (PII) in order to meet objectives set by Regulation G. The

NMLSR and the federal registry are authorized by the S.A.F.E. Act as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111-203, Title X, Section 1100, codified at 12 U.S.C. § 5101 *et seq.* The CFPB.019 Nationwide Mortgage Licensing System & Registry, 77 FR 35359 System of Records Notice (SORN), and the Nationwide Mortgage Licensing System & Registry Privacy Impact Assessment (PIA) cover the use of administrative data. The SORNs and PIAs will be updated as appropriate, and details regarding information handling will be specified in individual submissions under this generic clearance.

This information collection implicates privacy concerns because a breach of confidentiality could result in an individual suffering harm. To reduce the risk of breaches of confidentiality, CFPB uses appropriate security controls to protect information in the database and disclosed to consumers. There is risk related to misuse of information collected. Misuse might involve secondary types of use that are incompatible with the purposes of the initial collection, or a use of the information that individuals do not understand or to which they have not provided consent. To reduce the risk of misuse, the CFPB minimizes access to PII based on the need-to-know basis. The Bureau treats the information received through NMLSR in a manner consistent with our confidentiality regulations, and all data and analyses are subject to legal and privacy review prior to their release. The Bureau also evaluates the potential privacy risk and harm to individuals relative to the authorized purpose, and vets any research proposals using these data to ensure that they serve an authorized purpose. Disclosure conducted under any studies using these data will be consistent with the Privacy Act and the E-Government Act.

11. Justification for Sensitive Questions

Questions regarding prior misconduct are the most sensitive among the data that is being collected. However, answers to these questions are essential for meeting the objectives of Regulation G. This information is used by employers to ascertain whether certain MLOs are prohibited from being hired due to violations of other financial statutory requirements, or in general whether an individual is fit for employment by the institution. The information is also used by consumers to ascertain the trustworthiness of the MLO they are transacting with. Finally, Federal regulatory agencies use this information to ascertain whether employers are meeting the requirements of using this system's information to make judgments on MLO hires.

12. Estimated Burden of Information Collection

The following table summarizes the burden related to information collections required by Regulation G from institutions and individual MLO's. The counts of annual responses for each information collection are based on the actual records obtained from NMLSR. The average response time is based on interviews with industry experts.

Information collection requirement	No. of Respondents	Annual Frequency	Annual Responses	Average Response Time (hrs.)	Annual Burden Hours	Hourly Rate ¹	Labor Costs	CFPB share ²
Federally registered institutions								
Initial registration	139	1	139	3.00	417	\$14.74	\$6,147	0.0% ³
New employee registration	3,180	20.47 ⁴	65,099	0.02	1,085	\$14.74	\$15,993	61.0%
Annual renewal	10,566	1	10,566	0.50	5,283	\$14.74	\$77,871	1.4% ⁵
Federally registered MLO's								
Initial registration	78,543	1	78,543	2.75	215,993	\$28.76	\$6,211,966	61.0%
Joining an institution	65,099	1	65,099	0.30	19,530	\$28.76	\$561,674	61.0%
Annual renewal	398,492	1	398,492	0.50	199,246	\$28.76	\$5,730,315	61.0%
Summary								
Total hours:	441,554		CFPB allocated hours		265,944			
Total labor cost:	\$12,603,966		CFPB allocated labor cost		\$7,638,251			
No. of respondents - institutions	10,566		CFPB respondents - institutions		147			
No. of respondents - MLO's	398,492		CFPB respondents - MLOs		243,080			
No. of respondents - total	409,058		CFPB respondents - total		243,227			

The CFPB estimates that the total ongoing recordkeeping and disclosure costs for the market under Regulation G are 441,554 hours, implying the associated labor cost of \$12,603,966. For purposes of PRA, the CFPB allocates to itself 265,944 hours, implying the associated labor cost of \$7,638,251 dollars. The CFPB share in the total burden is calculated as follows.

According to the Dodd-Frank Act assignment of supervisory authority, CFPB is allocated burden for 147 depository institutions (116 depository institutions with total assets of more than \$10 billion and 31 affiliates) over which CFPB has primary enforcement authority with respect to Regulation G. Working with data provided by the Conference of State Bank Supervisors, we found that the share of individual federally registered MLO's for these institutions is 61% of the overall market. We apply this share to the total burden to obtain the burden allocated to CFPB.

¹ Hourly rate labor costs are the median hourly wages from the Bureau of Labor and Statistics (BLS) for affected occupational groups. Occupational groups for the PRA burden of regulation G are defined as loan officers (<http://www.bls.gov/ooh/business-and-financial/loan-officers.htm#tab-5>) and information clerks (<http://www.bls.gov/ooh/office-and-administrative-support/information-clerks.htm>).

² CFPB allocated labor hours and costs are calculated by multiplying the share by the totals

³ All CFPB institutions are already in the system

⁴ Represents the average number of new hires per institution each year.

⁵ Reflects 147 out of total 10,566 federally registered institutions that are supervised by CFPB

13. Estimated Total Annual Cost Burden to Respondents or Recordkeepers

NMLSR collects processing fees from both institutions and individual MLO's at various stages of the registration process and renewal. Using the available data and fee information, we calculate the approximate total cost to respondents, in the table below.

Description of costs	Unit Cost	Units	Total Cost
Federally registered institutions			
Initial registration fee	\$100	139	\$13,900
Annual processing fee	\$100	10,566	\$1,056,600
Federally registered MLO's			
Initial registration fee	\$60	78,543	\$4,712,580
Annual processing fee	\$30	398,492	\$11,954,760
Change of employment fee	\$30	65,099	\$1,952,970
Summary			
Total cost:	\$19,690,810		
CFPB share	61%		
CFPB costs	\$11,928,701		

The total annual non-labor cost burden to respondents is \$19,690,810 dollars. Using the same methodology as in 12, the CFPB allocates 61% of the total non-labor cost burden to itself, amounting to \$11,928,701.

14. Estimated Cost to the Federal Government

There are no additional costs to the Federal Government.

15. Program Changes or Adjustments

	Total Respondents	Annual Responses	Burden Hours	Cost Burden (O & M)
Total Annual Burden Requested	243,227	617,938	265,944	\$11,928,701
Current OMB Inventory	180	33,656	15,183	\$0
Difference (+/-)	243,047	584,282	250,761	\$11,928,701
Program Change			0	\$0
Discretionary			0	\$0
New Statute			0	\$0
Violation			0	\$0
Adjustment	243,047	584,282	250,761	\$11,928,701

The changes in burden and costs are the result of an improved methodology of calculating costs as opposed to any regulation change. In particular the Bureau realized that the previous estimates in inherited counted only the number of institutions responding to this information collection, and not also the individuals who are required to respond. Therefore the new requests should be seen as a more accurate representation of the true costs and burdens of Regulation G.

16. Plans for Tabulation, Statistical Analysis, and Publication

The public will have access to information in the Registry about a MLO's employment history, work address, state regulatory actions.

17. Display of Expiration Date

The OMB control number and expiration date associated with this PRA submission will be displayed on the Federal government's electronic PRA docket at www.reginfo.gov.

18. Exceptions to the Certification Requirement

The Bureau certifies that this collection of information is consistent with the requirements of 5 CFR 1320.9, and the related provisions of 5 CFR 1320.8(b)(3) and is not seeking an exemption to these certification requirements.