

**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)**

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**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 September 15, 2016

**ABSTRACT:**

Regulation G implements the Secure and Fair Enforcement for Mortgage Licensing Act (the S.A.F.E. Act, 12 U.S.C §5101 et sq.) , 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**

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 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 5111(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 MLOs. In accordance with 12 USC 5111(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 of Consumer Financial Protection (Bureau) has published a notice Federal Register allowing the public 60 days to comment on this proposed extension (renewal) of this currently approved collection of information. The Bureau received no comments in response to this notice. Further, in accordance with 5 CFR

§1320.5(a)(1)(iv) the Bureau has 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.

### **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 BCFP 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 BCFP receives information obtained through NMLSR, BCFP 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 BCFP.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.

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, BCFP 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 BCFP 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 MLOs. 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 <sup>1</sup>	Labor Costs	BCFP share <sup>2</sup>
<b>Federally registered institutions</b>								
Initial registration	31	1	31	3.00	93	\$16.19	\$1,506	0.0% <sup>3</sup>
New employee registration	4,282	10 <sup>4</sup>	40,691	0.02	678	\$16.19	10,980	62.0%
Annual renewal	9,750	1	9,750	0.50	4,875	\$16.19	\$78,926	1.5% <sup>5</sup>
<b>Federally registered MLOs</b>								
Initial registration	65,000	1	65,000	2.75	178,750	\$31.09	\$5,557,338	62.0%
Joining an institution	40,691	1	40,691	0.30	12,207	\$31.09	\$379,525	62.0%
Annual renewal	422,703	1	422,703	0.50	210,872	\$31.09	\$6,555,995	62.0%
<b>Summary</b>								
Total hours:	407,475		<b>BCFP allocated hours</b>		<b>249,628</b>			
Total labor cost:	\$12,584,269		<b>BCFP allocated labor cost</b>		<b>\$7,753,569</b>			
No. of respondents - institutions	9,750		<b>BCFP respondents - institutions</b>		<b>158</b>			
No. of respondents - MLOs	421,743		<b>BCFP respondents - MLOs</b>		<b>261,480</b>			
No. of respondents - total	431,493		<b>BCFP respondents - total</b>		<b>261,638</b>			

<sup>1</sup> 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>).

<sup>2</sup> BCFP allocated labor hours and costs are calculated by multiplying the share by the totals

<sup>3</sup> All BCFP institutions are already in the system

<sup>4</sup> Represents the average number of new hires per institution each year.

<sup>5</sup> Reflects 158 out of total 9,750 federally registered institutions that are supervised by CFPB

The BCFP estimates that the total ongoing recordkeeping and disclosure costs for the market under Regulation G are 407,745 hours, implying the associated labor cost of \$12,584,269. For purposes of PRA, the BCFP allocates to itself 249,628 hours, implying the associated labor cost of \$7,753,569. The BCFP share in the total burden is calculated as follows.

According to the Dodd-Frank Act assignment of supervisory authority, CPPB is allocated burden for 158 depository institutions (127 depository institutions with total assets of more than \$10 billion and 31 affiliates) over which BCFP has primary enforcement authority with respect to Regulation G. Working with data provided by NMLSR, we found that the share of individual federally registered MLOs for these institutions is 62% of the overall market. We apply this share to the total burden to obtain the burden allocated to BCFP.

**13. Estimated Total Annual Cost Burden to Respondents or Recordkeepers**

NMLSR collects processing fees from both institutions and individual MLOs 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
<b>Federally registered institutions</b>			
Initial registration fee	\$100	31	\$3,100
Annual processing fee	\$100	9,750	\$975,000
<b>Federally registered MLOs</b>			
Initial registration fee	\$60	65,000	\$3,900,000
Annual processing fee	\$30	421,743	\$12,652,290
Change of employment fee	\$30	40,691	\$1,220,730
<b>Summary</b>			
Total cost:	\$18,751,120		
BCFP share	62%		
<b>BCFP costs</b>	<b>\$11,625,694</b>		

The total annual non-labor cost burden to respondents is \$18,751,120. Using the same methodology as in 12, the BCFP allocates 62% of the total non-labor cost burden to itself, amounting to \$11,625,694.

**14. Estimated Cost to the Federal Government**

There are no additional costs to the Federal Government.

**15. Program Changes or Adjustments**

	<b>Total Respondents</b>	<b>Annual Responses</b>	<b>Burden Hours</b>	<b>Cost Burden (</b>
Total Annual Burden Requested	261,638	574,073	249,628	\$11,625,694
Current OMB Inventory	243,277	617,938	265,944	\$11,928,701
Difference (+/-)	0	0	0	0
<b>Program Change</b>				
Discretionary	+18,361	-43,865	-16,316	-\$303,007
New Statute			0	\$0
Violation			0	\$0
Adjustment	+18,361	-43,865	-16,316	-\$303,007

The Bureau estimates that respondents will be required to provide fewer responses than previously stated, and adjusts burden allocation appropriately. Although there are more respondents in 2018 than 2015, fewer responses reduces the number of burden hours and cost burden associated with the regulation of mortgage loan originators.

**16. Plans for Tabulation, Statistical Analysis, and Publication**

The public will have access to information in the Registry about a MLOs 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](http://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.

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