



## Take 10 Steps Toward SAFE Act Registration

The Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act) will require credit unions and their employees who are mortgage loan originators to register on the

Nationwide Mortgage Licensing System & Registry (NMLS). The NMLS is an Internet-based system developed and maintained by the Conference of State-Bank Supervisors.

The National Credit Union Administration (NCUA) and the federal banking agencies published SAFE Act regulations in July. The NCUA's rules apply to federal credit unions, federally insured state-chartered credit unions, and privately insured state-chartered credit unions when certain conditions are met and formal agreements are reached between the NCUA and the state regulator.

The interagency regulations were effective on Oct. 1. Credit unions were required to establish written policies providing a basic framework for compliance with the SAFE Act by that Oct. 1 effective date. However, when that date rolled around, the NMLS wasn't ready to accept registrations from credit unions and banks. The regulatory agencies recently announced that they expect the NMLS to begin accepting initial registrations on or around Jan. 31—just a week from now. Once the registry launches, credit unions and their mortgage loan originators (MLOs) have 180 days to complete initial registration on the new system.

In the meantime, the NMLS has pub-



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Information

lished information on its website (see resource links) to help institutions and their MLOs prepare for this new federal registration process. The NMLS "Getting Started Guide for Financial Institutions" suggests the following steps credit unions can take to get ready to register on the new system.

**Step 1: Determine if your credit union is required to be registered with NMLS.** If your credit union offers residential mortgage loans and employs individuals required to be federally registered as mortgage loan originators, your credit union must register with NMLS. Residential mortgage loans include: first mortgages, second mortgages, home equity lines of credit (HELOCs), refinanced mortgage loans, reverse mortgages and land purchased for the construction of a residence.

**Step 2: Get prepared.** A credit union is required to register with NMLS by submitting Form MU1R into the registration system. When creating an NMLS account, the credit union must identify two individuals as "NMLS Account Administrators." These Account Administrators will have primary responsibility for the credit union's account on NMLS, are authorized to speak to the NMLS Call Center on behalf of the credit union, and can set up additional sub-users for the institution's account. The credit union's designated account administrators should take a look at Form MU1R and begin to gather the information that his or her institution will have to submit. Detailed instructions are available on the NMLS website.

**Step 3: Determine who needs to be registered. Determine which employees meet the definition of mortgage loan originator.** A mortgage loan originator (MLO) is an individual who

1) takes a residential mortgage loan application; and 2) offers or negotiates terms of a residential mortgage loan for compensation or gain. A credit union's account administrators and MLOs should take a look at the registration information required from each individual on Form MU4R.

Remember that credit union MLOs will only have to register on the NMLS and will not have to obtain a state license. MLOs who are not employed by banks or credit unions will have to be state licensed and registered on the system.

**Step 4: Choose a workflow.** The registration process can be accomplished several ways. The NMLS has developed three sample workflows to help institutions develop a process that suits their needs. Credit unions may review the sample workflows and choose the one, or a variation of one, that is best. For example:

- ▶ Workflow 1: MLO completes MU4R, institution pays fees;
- ▶ Workflow 2: Institution completes MU4R and pays fees; or
- ▶ Workflow 3: MLO completes MU4R and pays fees.

**Step 5: Obtain two-factor authentications for all institution users.** All account administrators and other users associated with a credit union's NMLS account must utilize a second authentication factor beyond the user name and password provided by NMLS before they are able to log in to their NMLS account. Users who are required to have two-factor authentication must use a security credential from VeriSign. (See resource link.)

**Step 6: Gather the necessary data from your MLOs to create their accounts.** The NMLS allows institutions to upload MLO in-

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formation in bulk (aka, batch upload) in order to create their accounts on the system. The batch upload process requires a credit union to compile basic identifying and contact information on each MLO. Credit unions should collect the necessary information on its MLOs, build the batch upload file, and save the file so that it's ready when the registry opens.

Please note: A credit union won't be able to upload its bulk file until the credit union files its MU1R through NMLS.

Also: Steps 7-10 can only be accomplished once the NMLS Federal Registry opens on or after Jan. 31.

**Step 7:** Request an institution account on NMLS. To request an account, a credit union's account administrator(s) must complete the "Company Account Request Form." Once submitted, NMLS will review the form as part of the "NMLS entitlement process." Once the form is validated, an NMLS account will be established for the credit union and user names and passwords will be issued to the Account Administrators identified on the request form. The normal validation process will take 48 to 72 hours.

**Step 8:** Complete and submit Form MU1R. Once a credit union's account administrators receive their VeriSign tokens, user names, and passwords, they can log into the NMLS, create a Form

MU1R filing, complete the necessary fields, submit and pay the filing registration fee. NMLS processes all payments electronically and accepts credit cards and ACH payments.

**Step 9:** Repeat Steps 1 through 5 for each subsidiary which is required to register MLOs. Credit unions can skip this step—it is not applicable. The SAFE Act treats employees of depository institution subsidiaries the same as employees of the depository institution, if the subsidiary is owned by the depository institution and regulated by a federal banking agency. Credit union service organizations (CUSOs) don't fit this definition since the NCUA does not have direct regulatory oversight or enforcement authority over them. Therefore, CUSOs and their employees must comply with the SAFE Act's state licensing and registration requirements.

**Step 10:** Begin registering the credit union's MLOs. A credit union's account administrators will receive e-mail confirmation of a successful Form MU1R registration. Once successfully registered, the credit union can begin to register its MLOs, following the steps of the workflow the credit union has chosen (see Step 4).

Want more information? See the many resource links below and take advantage of NMLS training opportuni-

ties going on right now. The NMLS is currently sponsoring web-based workshops called "Introduction to the NMLS Federal Registry" throughout the month of January. The first sessions were Jan. 19 and 21 (as reported in CUNA's News Now) and additional sessions are scheduled for Jan. 26 and 28. The workshop provides an overview of the new registration process and covers steps outlined above in more detail. You can reach CUNA's compliance department at [cucomply@cuna.com](mailto:cucomply@cuna.com) 📧

### Resources

 **NMLS Getting Started Guide for Financial Institutions (a similar guide for MLOs will be coming soon)**  
<http://mortgage.nationwidelicencingsystem.org/fedreg/Pages/GettingStartedFedCo.aspx>

**Training Workshops on the Federal Registration process**  
<http://mortgage.nationwidelicencingsystem.org/news/events/Pages/FedRegIntro.aspx>

**NMLS Processing Fees**  
<http://mortgage.nationwidelicencingsystem.org/about/Pages/systemfees.aspx>

**Quick Guide: Choosing a VeriSign Security Credential**  
<http://mortgage.nationwidelicencingsystem.org/fedreg/Resources/VeriSign%20Security%20Credential%20Choices.pdf>

**NCUA SAFE Act Resources**  
<http://www.ncua.gov/Resources/SAFEAct.aspx>

**CUNA's e-Guide – Mortgage Staff Registration (SAFE Act)**  
[http://www.cuna.org/compliance/member/eguide/eguide\\_mlr.html](http://www.cuna.org/compliance/member/eguide/eguide_mlr.html)

## ▶ Seeking CU Comment...

These issues are open for public comment. Credit unions are asked to submit a copy of their comment to CUNA.

### NCUA

| AGENCY DUE DATE              | PROPOSAL                                                                                                                                                                                   | CUNA DUE DATE |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| January 24                   | Conversions of Insured CUs: Definition of Reg. Dir.<br><a href="http://www.cuna.org/reg_advocacy/reg_call/rcc_011311.html">http://www.cuna.org/reg_advocacy/reg_call/rcc_011311.html</a>   | January 21    |
| January 28                   | Corporate Credit Union Follow-up Proposal<br><a href="http://www.cuna.org/reg_advocacy/reg_call/rcc_120910.html">http://www.cuna.org/reg_advocacy/reg_call/rcc_120910.html</a>             | January 14    |
| <b>Federal Reserve Board</b> |                                                                                                                                                                                            |               |
| AGENCY DUE DATE              | PROPOSAL                                                                                                                                                                                   | CUNA DUE DATE |
| February 22                  | FRB Proposal on Debit Interchange Fees/Related Issues<br><a href="http://www.cuna.org/reg_advocacy/reg_call/rcc_120910.html">http://www.cuna.org/reg_advocacy/reg_call/rcc_120910.html</a> | February 1    |