NMLS Successfully Launched!

The Nationwide Mortgage Licensing System (NMLS) was successfully launched on January 2, 2008, with seven states participating—Idaho, Iowa, Kentucky, Massachusetts, Nebraska, New York and Rhode Island. As of March 18, 2008, more than 7,200 user accounts have been established with 1,500 information updates, 23,900 filings created with 15,250 of those submitted to regulators and 10,600 work items/deficiency notifications resulting from those submitted filings.

In addition to new license applications and job changes being filed on the NMLS, each existing licensee is required to transition its existing license onto the NMLS. In Idaho, this must be accomplished by no later than September 1, 2008. The transition process involves creating an electronic record in the NMLS, which must reflect the licensee’s existing information on file with the Idaho Department of Finance. Companies must file electronic Forms MU1/MU2 for their “home/main” offices and control persons, Forms MU3/MU2 for their branches, branch managers and control persons, and Form MU4 for loan originators. Again, to successfully transition onto the NMLS, licensees must create an electronic record on NMLS that reflects the licensing information already filed with the Idaho Department of Finance. Transition records with changes in officers, directors, addresses and other information that have not been previously filed and/or approved by the Department will result in a license status of “Approved-Deficient,” which means that although the transitioning licensee may continue conducting business in Idaho under its license, the deficiencies must be cleared for the license to remain in good standing.

License renewals, which will begin in November of 2008, may be affected by unresolved deficiencies so it is important to submit and clear outstanding deficiency items that arise during license transition to the NMLS.

Importantly, the license transition process from the paper form to an electronic NMLS record does NOT affect the licensee’s ability to conduct business; the license status and authority it carried in the “paper” world remains through the transition process. Again, Idaho mortgage licensees have until September 1, 2008, to transition onto the NMLS, or until a change needs to be made requiring use of the NMLS—such as the hiring or termination of a loan originator, the opening of a new branch, an address change, a new Qualified Person in Charge (QPIC) designation, etc.

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The NMLS homepage, www.stateregulatoryregistry.org/NMLS, offers a wide variety of information to assist new applicants and licensees in their use of the NMLS, as well as important news that may affect their mortgage business activities in other states. “News and Alerts” contains information on training opportunities, notice of state filing deadlines and other pertinent information. Through “Getting Started,” a step-by-step process is offered on acquiring an NMLS user account, and setting up suggested workflows for license transitions and new applications. The NMLS homepage also includes interactive tutorials that cover major topics and tasks. The “State Licensing Resource Page” section connects the user to jurisdiction-specific checklists itemizing what must be submitted outside the NMLS to the regulator to accomplish transition, a new application, amendments and license surrenders/withdrawals. Questions relating to the usage of the NMLS may be directed to the NMLS Call Center at (240) 386-4444. The call center is available from 9:00am-6:00pm EST Monday through Friday.

Over the next couple of years more states are scheduled to join the NMLS and each quarter during that time, the NMLS will release improvements to increase functionality, ease of use and communication within the system. For example, beginning April 1, 2008, it is anticipated that licensees will receive automatic email communications notifying them or their account administrators that a work item or status change has been processed in the NMLS. Other enhancements will result from NMLS user feedback. Some improvements will be transparent such as the improved email communication example, while others may be in design and improved online navigation. The NMLS welcomes user feedback through the “Got Feedback?” link on its “home” page.

The NMLS offers an improved method in the way licensees, applicants and regulators exchange information. It will also offer additional information and resources to both licensees and regulators as the system is enhanced. It does not, however, change the process or functions a regulator must perform in the review of information for licensure, amendments, or other actions. This is especially important to consider during the initial period of transition onto the NMLS, when existing license applications and record updates are being submitted. Questions on Department policies involving the NMLS and questions relating to license application or license transition deficiency items may be directed to: (208) 332-8002.

Welcome New Department Staff!

Audrey Bath joined the examination/investigation section as its new Administrative Assistant in February. Audrey is recently new to Idaho and brings experience as Director of Bar Services for the State Bar of Nevada, holds a law degree from Widener University and is a contributing writer for several publications. Welcome!

Know Someone Facing Foreclosure?

The Department’s website at http://finance.idaho.gov offers links to organizations and agencies offering assistance, guidance and information for this difficult time. Access the Foreclosure Prevention Resources flier under “What’s New”.

(Continued from page 1)
Know the Difference...

between an employer “relationship” filing and a “sponsorship” filing in the NMLS

A company creates a “relationship” filing to identify an individual as an employee of a company. This would apply to loan originators, control persons, QPICs and branch managers—anyone that would be required to complete a Form MU2 or Form MU4.

A company creates a “sponsorship” filing after a “relationship” filing with a loan originator in order to sponsor one or more of the loan originator’s licenses (e.g. multiple states). Sponsorship is the authorization for a loan originator to conduct business under a specific license and can only be initiated by a company. The company’s MU1 and the loan originator’s MU4 must both be submitted to a regulator before a “sponsorship” can be created.

The “sponsorship” filing must be filed and approved with the Department before a loan originator license application can be placed in an “Approved-Active” status and a license issued.

“Tip”- over Box

☐Mr. ☐ Miss ☐ Mrs. ☐ Ms.

Titles such as “Mr.”, “Miss”, “Mrs.”, “Ms.” and others are not suffixes in an application pertaining to a name—they are prefixes. If a suffix is requested, only those such as “Jr.”, “Sr.”, “IV” or other familial generational designators should be used. Educational or professional identifiers should not be listed.

Please keep your email addresses current! The Department’s primary method of communication and information distribution is electronic. Communications include training notices, newsletters, renewal information, application and license deficiency notifications and more. In the last year the Department has significantly moved to electronic communication, and licensees risk not receiving pertinent information if their company, individual and work emails are not kept current.
New on the Web!

**Rules Pursuant to the Idaho Residential Mortgage Practices Act**

(Laws/Statutes Section): Updates the existing Rules to include modification of the definition of a continuing education credit hour from 60 minutes to 50 minutes, naming the Nationwide Mortgage Licensing System (NMLS) as the official method of filing license applications and renewals, requiring two (2) hours of continuing education to be in Ethics, and other related clarifications.

**Foreclosure Prevention Resources**

(New Items Section): Provides links to several websites offering guidance, assistance and resources to consumers facing potential foreclosure.

**Press Releases**

(Press Releases Section): Highlights two securities lawsuits initiated by the Department; a large customer restitution settlement with a Texas-based debt settlement company and the announcement of Idaho’s participation in the initial launch of the NMLS (Nationwide Mortgage Licensing System).

**Continuing Education Courses**

(Approved Licensee and Provider Section): New providers and new courses have been added offering more educational opportunities.

**Nationwide Mortgage Licensing System Information**

(Home Page-Center Blue Button): Offers information on the newly launched electronic mortgage licensing system. Information includes an overview of the system, Idaho’s transition plans, a link to the website of the Conference of State Bank Supervisors for historical system information and a direct link to the NMLS home page. The NMLS home page offers tutorials on system usage, suggested work flow guides, shortcuts for particular functions, access to user accounts and alerts for training and information involving states that are currently live on the system.

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Did you know....

As of February 29, 2008 the Bureau has processed 9,326 loan originator *job changes* since January 1, 2006.

The Bureau has received 8,865 loan originator *applications* since January 1, 2006.

Bureau examiners participated in 42 consumer education conferences, high school, and college financial education training programs in 2007.
IDAHO CONTINUING EDUCATION DEADLINE NEARS

Please take note that the first continuing education reporting period deadline for mortgage loan originators and Qualified Persons in Charge (QPIC) is October 31, 2008.

If your license was issued on or before October 31, 2006, or you were designated as the QPIC for a location of your company on or before October 31, 2006, then you are required to have sixteen (16) hours of Idaho-approved CE credits completed by October 31, 2008. Certificates of completion must be RECEIVED by the Idaho Department of Finance no later than November 30, 2008.

Licensees and QPICs are encouraged to submit their CE course completion certificates as soon as possible and not hold them until all credits are accumulated. This will facilitate the posting of the credits to your records and notification to you if any of your reported credits are unacceptable for any reason. If you will follow this simple process it will allow time to make up any incomplete CE requirements. It will also allow time for you to secure information that may be missing from a provider so that no credits are lost.

Approved CE providers and courses are listed on the Department’s website at http://finance.idaho.gov in the “Approved Licensee and Provider” section. Courses are available in both online (web-based) and live-classroom settings. Providers offer individual courses, as well as packages that meet the entire sixteen-hour Idaho requirement. One provider offers a tri-state regional package that satisfies the requirements for Idaho, Washington and Oregon. Two providers offer courses that specifically meet the Idaho two-hour specific requirement of instruction of the Idaho Residential Mortgage Practices Act and Rules. Check the approved providers and courses routinely for new offerings. Contact the providers directly for details on course availability, method of instruction and cost.

Continuing Education courses do not have to be attended physically or performed in Idaho. However, courses, and their providers, must be approved in Idaho at the time the course was taken in order for credits to be acceptable. The Department of Finance or the providers can verify provider and course approval dates.

Certificates of completion may be emailed to mortgage@finance.idaho.gov, faxed to 208.332.8096 or mailed to the Consumer Finance Bureau at P.O. Box 83720, Boise, ID 83720-0031. If you have questions regarding the timely fulfilling of your continuing education requirements, please call 208.332.8002.
Examination Findings

**Regulated Lenders/Payday Lenders**

- Record Retention – retaining all records related to loan transactions
- APR Calculations on irregular loans, loans under 12 months, and refinancing existing loans with changes in loan terms
- Use of the Department’s correct address when required in loan agreements or other disclosures
- Maintenance of required liquid assets

**Mortgage Broker/Lenders and Loan Originators**

- Misrepresentations in Advertising and non-compliance with Regulation Z and the Idaho Residential Mortgage Practices Act
- Loan Originators conducting activity from unlicensed branch locations or prior to submitting transition documents or license applications to the Department
- Supervision of Loan Originator activity by employing Mortgage Broker/Lender

### CONSUMER FINANCE BUREAU STATISTICS

#### Active Licensees (as of 2/29/08)
- Mortgage Brokers 861
- Mortgage Lenders 649
- Mortgage Loan Originators (Approved-Active) 3530
- Mortgage Loan Originator (Approved-Inactive) 339
- Escrow /1031 Exchange Companies 38
- Regulated Lenders (inc. title & “dual” mortgage lenders) 1140
- Payday Lenders 234
- Collection Agencies 154
- Debt/Credit Counselors 40
- Foreign Permittees 510
- Continuing Education Providers 25
- Continuing Education Courses 68

#### Collection Agencies/Foreign Permittees 44
- Escrow/1031 Exchange Companies 9
- Continuing Education Providers 4
- Continuing Education Courses 12

#### License Modifications/Status Changes (10/1/07 thru 2/29/08)
- Mortgage Broker/Lenders 454
- Mortgage Loan Originators 1329

#### Exams Conducted (10/1/07 thru 2/29/08)
- Mortgage Brokers/Lenders 7
- Regulated Lenders 33
- Payday Lenders 51
- Title Lenders 16
- Collection Agency 10

#### New License Applications Received (10/1/07 thru 2/29/08)
- Mortgage Brokers/Lenders 124
- Mortgage Loan Originators 581
- Regulated Lenders (inc. payday/title) 116

#### Withdrawals (10/1/07 thru 2/29/08) 400
- License Expirations (failed to renew company licenses) (10/1/07 thru 2/29/08) 0
- Complaints filed (written) (10/1/07 thru 2/29/08)
  - Mortgage (origination/servicing) 42
  - Loan Originators 3
  - Escrow/1031 Exchange 1
  - Collection Agency 78
  - Payday Lender, Regulated Lender (finance co., payday, title) 10
  - Other (banks, credit unions) 9

#### Complaints Closed (all) (10/1/07 thru 2/29/08) 155

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ENFORCEMENT ACTIONS
October 1, 2007 through February 29, 2008

COLLECTION AGENCIES

CREDIT SOLUTIONS OF AMERICA, INC.—Dallas, TX 1/9/2008
Consent Order—Respondent paid $588,000 consumer restitution and $3,000 investigative costs and attorney fees for debt/credit counseling unlicensed activity.

CACH, LLC—Denver, CO 12/10/2007
Consent Order—Respondent was assessed $20,000 administrative penalty, paid $15,000 with remaining $5,000 suspended for three years and $1,000 investigative costs and attorney fees for unlicensed collection activity.

HEALTHCARE FUNDING SOLUTIONS, LLC—Denver, CO 12/7/2007
Consent Order—Respondent was assessed $20,000 administrative penalty, paid $10,000 with remaining $10,000 suspended for three years and $1,000 investigative costs and attorney fees for unlicensed collection activity.

CACV OF COLORADO, LLC—Denver, CO 12/7/2007
Consent Order—Respondent was assessed $20,000 administrative penalty, paid $15,000 with remaining $5,000 suspended for three years and $1,000 investigative costs and attorney fees for unlicensed collection activity.

Agreement and Order—Respondent paid $1,500 administrative penalty and $500 investigative costs and attorney fees for unlicensed collection activity.

MORTGAGE BROKER/LENDERS

21st CENTURY FINANCIAL CORPORATION, INC.—Oakland, CA 3/3/2008
Order to Cease and Desist—Misleading, confusing, and deceptive advertising.

TITAN FUNDING, LLC—Henderson, NV 2/15/2008
Agreement and Order—Respondent paid $1,000 administrative penalty and $500 investigative and attorney fees for unlicensed loan originator activity.

SAGE CREDIT COMPANY, INC., dba SAGE CREDIT—Irvine, CA 11/5/2007
Consent Agreement and Order—Respondent paid $10,000 administrative penalty and $5,000 investigative and attorney fees for unlicensed loan originator activity and misleading advertising conducted from an unlicensed location.

FIRST CAPITAL GROUP, LP dba FCG MORTGAGE—Irvine, CA 10/22/2007
Order Revoking Mortgage Broker/Lender License and Termination of Regulated Lender License—Unlicensed loan originator activity.

NA NATIONWIDE MORTGAGE—Mission Viejo, CA 10/16/2007
Agreement and Order—Respondent paid $1,000 administrative penalty and $500 investigative and attorney fees for allowing deceptive advertising.

VERITAS IN COMMERCIUM, LLC—Saratoga Springs, UT 1/9/2007
Agreement and Order—Respondent paid $5,000 administrative penalty and $500 investigative and attorney fees for unlicensed activity and failure to make complete disclosure of all information on an application.

MORTGAGE LOAN ORIGINATORS

RONALD OTIS POPE—Hayden, ID 10/16/2007
Order Denying Application for a Mortgage Loan Originator License—Licensee application denied due to Respondent’s character and fitness, filing a false or misleading application and not providing reasonably required information on the application.
REGULATED LENDERS
RENEWING LOANS

When regulated loans are renewed, it is not uncommon that the original loan term is adjusted, usually as a result of changing the due date on payday loans to coincide with the borrower’s next “pay day”. When any of the original loan terms are changed, the transaction is no longer considered a “renewal.” It is a new agreement, and Regulation Z requires that new disclosures be made when the original agreement has been replaced with a different agreement. Regulation Z §226.20(a).

When renewing loans, licensees should take care to ensure that the terms of the original loan agreement are not changed or they must make new disclosures to the consumer.

Although it is not cited frequently, regulated lender licensees often do not realize that a notice of adverse action must be delivered to consumers who have been denied credit as the result of a verbal application for credit. In most shops, lending representatives are not even aware of many of their “qualifying” questions constitute credit denial and thus trigger the requirement for an adverse action notice consistent with the requirements of Regulation B §202.9.

Licensee’s are encouraged to establish loan application procedures that will allow applicants to “pre-qualify” themselves. Also licensees should train their loan representatives to avoid asking “qualifying” questions. Any licensee contending it has not had any loan denials in several months more than likely is out of compliance with adverse action notification requirements.

Top Consumer Complaints

Mortgage Brokers/Lenders
♦ Advertising: soliciting refinances of ARM loans when borrowers do not have an ARM loan and promising non-existent refunds; solicitation looks like a check or that it is from a government agency—primarily IRS. Licensee name is not conspicuous and APR not noted when required.
♦ Loan originators: Unlicensed activity
♦ Appraisals: Non payment to appraiser

Collection Agencies
♦ Collecting against incorrect person
♦ Debt obligation disputes
♦ Unlicensed activity

Regulated Lenders (includes payday and title lenders)
♦ Miscalculation of interest owed
This newsletter is produced semi-annually as a part of the Bureau's continued communication outreach with the companies we regulate. Delivery by electronic means solely.

Suggestions and comments concerning the newsletter or its contents should be sent to the Consumer Finance Bureau at PO Box 83720, Boise Idaho 83720-0031 or via email to kc.schaler@finance.idaho.gov

**Annual License Renewals**

| Collection Agencies/Foreign Permittees | March 15th |
| Escrow/1031 Exchange Companies | April 30th |
| Regulated Lenders (includes payday and title lenders) | May 31st |
| Mortgage Brokers/Lenders *(beginning 2008)* | December 31st |
| Mortgage Loan Originators *(beginning 2008)* | December 31st |

**Annual Reports of Activity**

| Collection Agencies/Foreign Permittees | March 15th |
| Escrow/1031 Exchange Companies | April 30th |
| Regulated Lenders | May 31st |
| Mortgage Brokers/Lenders *(beginning 2009)* | March 31st |

Please make a note on your Calendar