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MORTGAGE BANKERS ASSOCIATION

August 21, 2024

Kathryn Fong  
Chief Privacy Officer  
Consumer Financial Protection Bureau  
1700 G Street, NW  
Washington, DC 20552  
privacy@cfpb.gov

Re: Docket No: CFPB-2024-0029

On behalf of the Mortgage Bankers Association (MBA),<sup>1</sup> thank you for the opportunity to comment on Docket No: CFPB-2024-0029, with respect to estimating the burdens of implementing the CFPB's *Registry of Nonbank Covered Persons Subject to Certain Agency and Court Orders*.

MBA's comments will be brief and focus on the urgent need to extend this comment period for an additional 60 days at a minimum following the release of written guidance by the CFPB to filers regarding how to prepare and submit information to the Bureau.

MBA and other stakeholders are frustrated regarding this request for comments by August 23, 2024, on the burdens of implementing a rule which was only published in the Federal Register on July 8, 2024. Moreover, since the official publication of the rule, the CFPB has not as of this writing released any – not a single word – of implementation guidance on how MBA member companies may submit the information required in the final rule to an unknown system. Nor has the CFPB offered instructions on how to take advantage of the rule's limited one-time, alternative registration option for certain covered orders that are already published on the Nationwide Multistate Licensing System and Registry (NMLS) Consumer Access.

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<sup>1</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 275,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,000 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: [www.mba.org](http://www.mba.org).

Without implementation guidance from the CFPB, MBA cannot begin to assess the accuracy of the response burden on its member companies. At a minimum, more time should be provided for stakeholder comments.

Please also note the CFPB's own estimates indicate this proposed data collection would require private entities to spend 271,000 hours in order to comply with its final rule (see here: [https://www.reginfo.gov/public/do/PRAViewDocument?ref\\_nbr=202212-3170-002](https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=202212-3170-002)). These 271,000 hours would be spent to provide data that for many industries – mortgage, money transmitters, etc. -- already exists in NMLS Consumer Access. The CFPB's response in Question 4 of its memo to the Office of Management and Budget (OMB) regarding duplication ignores that a significant amount of the data it seeks to collect is already available for free to the CFPB, consumers, and all stakeholders on the world wide web via NMLS. The other data that must be uploaded about the CFPB's own enforcement actions is data the CFPB itself already has. If the CFPB needs additional access to existing historical and any prospective NMLS data, it should work with the Conference of State Bank Supervisors (CSBS) directly rather than placing such an enormous compliance burden on MBA member companies.

For additional details on this issue and more, MBA is attaching its comment letter on the proposed rule along with the letter submitted by state regulators from across the financial services industry opposing this Registry and raising concerns about the costly duplication of existing, publicly available information.

Again, MBA urges a minimum 60-day extension for comments estimating the compliance burdens of implementing the rule following the CFPB's release of implementation guidance.

Respectfully,



Pete Mills  
Senior Vice President  
Residential Policy and Strategic Member Engagement

Attachments



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MORTGAGE BANKERS ASSOCIATION

March 31, 2023

Comment Intake – Nonbank Registry of Certain Agency and Court Orders  
Consumer Financial Protection Bureau  
1700 G Street NW  
Washington, D.C. 20552

**Re: Registry of Nonbank Covered Persons Subject to Certain Agency and Court Orders [RIN 3170-AB13]**

Dear Director Chopra:

The Mortgage Bankers Association<sup>1</sup> (MBA) appreciates the opportunity to comment on the Consumer Financial Protection Bureau's (Bureau or CFPB) proposal requiring covered nonbank financial institutions to register with and report to the Bureau when they become subject to certain public local, state, or federal consumer financial protection agency or court orders. The orders and company information would be published on a publicly available online database. Additionally, the proposed rule would require certain larger nonbank entities subject to the Bureau's supervisory and enforcement authority to designate a senior-level individual to attest to compliance with each order.<sup>2</sup>

The Bureau has a duty to limit regulatory burden and consider costs and benefits. As written, this proposal fails on both accounts. MBA's foremost concern with the proposal is that all the information the Bureau seeks is public, and for mortgage companies many of the orders are captured through the Nationwide Multistate Licensing System (NMLS) Consumer Access. As part of its supervisory authority, the Bureau is required to the fullest extent possible to use reports that have already been provided to federal and state agencies and

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<sup>1</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 390,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,100 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: [www.mba.org](http://www.mba.org).

<sup>2</sup> Registry of Nonbank Covered Persons Subject to Certain Agency and Court Orders, 88 Fed. Reg. 6088 (Jan. 30, 2023), available at <https://www.govinfo.gov/content/pkg/FR-2023-01-30/pdf/2022-27385.pdf>.

use information that has been reported publicly.<sup>3</sup> Additionally, the Bureau must tailor rules with consideration of the extent of current state supervision.<sup>4</sup>

By severely downplaying the role of NMLS and similar public registries, the Bureau is significantly overestimating the proposal's benefits to consumers. We discuss in further detail below why the Bureau should not proceed with this registry, or at the very least should exempt entities subject to registration requirements on a similar registry (i.e., NMLS Consumer Access). Moreover, requiring an individual to attest to compliance with consent orders will only serve as an unfair public shaming tool, which will discourage competent compliance and risk management professionals from serving in these important roles in the mortgage industry. The requirement is unlikely to improve outcomes for consumers as companies already have procedures set up to intake and escalate complaints due to the CFPB complaint portal. This requirement is also redundant as public consent orders are already signed by a company officer.

The MBA supports the Bureau's efforts to effectively deter unlawful behavior and to identify entities that engage in repeat violations of consumer financial services laws. However, the Bureau should be more focused on helping mortgage lenders lower origination costs by removing – and not proposing – duplicative regulatory requirements that will provide little benefit to consumers.

In order to lower the costs on covered entities and to mitigate the downstream effects of this registry, MBA suggests that the Bureau should:<sup>5</sup>

- exempt covered entities that participate in the Nationwide Mortgage Licensing System;
- eliminate the executive attestation requirement or raise the threshold triggering executive attestation; and
- limit the number of times a single instance of a violation needs to be reported.

#### **I. The Bureau's Proposal Underestimates Costs and Overestimates Benefits.**

The Bureau's proposal will increase the amount of time and money covered entities must spend on compliance. The Bureau, however, contends that the cost for covered entities to comply with the proposed rule will be minimal, costing entities roughly \$1500 to both register and submit a supervisory report.<sup>6</sup> This calculation severely underestimates the cost of the internal review and due diligence incurred by fulfilling the reporting and attestation

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<sup>3</sup> 12 U.S.C. 5514(b)(4) (use of existing reports).

<sup>4</sup> 12 U.S.C. § 5514(b)(2).

<sup>5</sup> Our comments and suggested changes to this proposed rule does not constitute MBA taking the position that such a regulation or other activities would be constitutional in light of the current funding structure of the Bureau. The Bureau should carefully evaluate their authority to issue this or other rules before proceeding further. See Cmty. Fin. Servs. Ass'n of Am. Ltd. v. Consumer Fin. Prot. Bureau, 51 F.4th 616 (5th Cir. 2022).

<sup>6</sup> 88 Fed. Reg. 6088, 6131-6132.

requirements. This cost is estimated to have next to no impact on consumers, yet the Bureau follows this statement with the acknowledgement that firms could respond to the costs by increasing prices for consumers. In general, the Bureau's analysis underestimates the costs to covered entities.

The Bureau also overstates the benefits of the proposed rule to consumers. One of the purposes of the proposal is to provide information to the consumer so they can make an informed choice. However, many consumers lack the context to fully understand the complexity of the alleged violations. Without the background necessary to weigh the seriousness of an order, consumers may not understand or may exaggerate the scope of the harm of the underlying violation. Certainly, some orders will be serious and should inform consumer behavior. However, the registry will also include orders with small penalties which do not reflect on a covered entity's internal governance. This registry would provide no benefit to consumers who cannot understand a listed order and would levy additional costs on covered entities who will lose business from consumers who misunderstand the significance of some orders.

The benefits to enforcement agencies are similarly overstated.<sup>7</sup> As the Bureau notes, the orders published under the proposal would already be public.<sup>8</sup> Additionally, the Bureau or the appropriate state regulators already ensure compliance with certain orders through supervisory agreements and in the terms of the orders themselves.<sup>9</sup> All of these sources of information provide agencies with information for enforcement purposes.

Finally, in order to reduce compliance costs and burdens for all reporting entities, there should be a limit on the number of times a single instance of a violation needs to be reported. Otherwise, the registry will be both more burdensome to regulated entities and confusing to consumers. Currently, when more than one agency issues an order under its own authority, even where the orders involve the same set of facts, each order is considered a separate order and would need to be registered.<sup>10</sup> Entities should only need to provide one order per violation to avoid reporting multiple listings for one incident in a multi-state enforcement action. This would not deprive the public or the Bureau of any information, since under the proposed rule registered entities already need to identify the government entity that issued the order.<sup>11</sup>

## **II. The Bureau's Proposal Duplicates Existing Registries.**

The types of orders the Bureau seeks to obtain and publish are almost entirely captured through the Nationwide Multistate Licensing System (NMLS) which is owned and operated by the Conference of State Bank Supervisors (CSBS) and represents the agencies with

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<sup>7</sup> *Id.* at 6100.

<sup>8</sup> *Id.* at 6100.

<sup>9</sup> See TMX Finance LLC, File No. 2023-CFPB-0001 (Consumer Fin. Prot. Bureau, Consent Order, Feb. 23, 2023), Section XVI.

<sup>10</sup> 88 Fed. Reg. 6088, 6113.

<sup>11</sup> *Id.* at 6118 (Proposed Rule § 1092.202(d)(2)(i)).

primary supervisory and licensing responsibility for nonbank mortgage companies. Moreover, the orders are made available to the public in a consumer-facing database. In addition to the NMLS, there are other legal databases and existing registries maintained by individual regulatory agencies that capture most if not all the information the Bureau is attempting to collect. The Bureau specifically acknowledges in its proposal “that much public information about such orders already exists.”<sup>12</sup>

The NMLS has been in successful operation for many years and MBA members are accustomed to its licensing and reporting requirements.<sup>13</sup> The NMLS Company Form (NMLS MU1 Form)<sup>14</sup> for example, asks for reporting companies to provide information on criminal, regulatory, and civil judicial actions. Additionally, as the Bureau’s proposal notes, state regulators publish enforcement actions to the NMLS.<sup>15</sup> However, the CFPB’s issue with NMLS appears to be that, not all the orders<sup>16</sup> (i.e., federal orders) or all relevant industry sectors it seeks to compile are reported.

The MBA supports the Bureau’s efforts to effectively deter unlawful behavior and to identify entities that engage in repeat violations of consumer financial services laws. However, it is unclear how the Bureau’s attempt to create its own public repository while shifting the reporting burden to nonbank entities will benefit the public given that the information is already accessible to the Bureau, consumer groups, trade associations, firms conducting due diligence, the media, and the wider public. As mentioned above, the Bureau is required to the fullest extent possible to use reports that have already been provided to federal and state agencies and information that has been reported publicly.<sup>17</sup> Rather than requiring

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<sup>12</sup> *Id.* at 6100.

<sup>13</sup> It is also generally concerning that the Bureau’s mention of NMLS Consumer Access is limited, if not absent from its cost-benefit analysis.

<sup>14</sup> NMLS Company Form, Nationwide Multistate Licensing System & Registry, available at [https://mortgage.nationwidelicingsystem.org/licensees/resources/LicenseeResources/NMLS%20Company%20\(MU1\)%20Form.pdf](https://mortgage.nationwidelicingsystem.org/licensees/resources/LicenseeResources/NMLS%20Company%20(MU1)%20Form.pdf).

<sup>15</sup> Information About NMLS Consumer Access, Nationwide Multistate Licensing System & Registry (Jan. 26, 2015) available at <https://mortgage.nationwidelicingsystem.org/slr/common/policy/Documents/InformationAboutNMLSCo%20nsumerAccess.pdf> (State regulators may post regulatory action information to company and individual records in NMLS. State regulatory actions are administrative, or enforcement actions taken by a state agency in connection with a person or entity that is engaging in a business activity that is regulated by the agency. This information is viewable in NMLS Consumer Access for the public. While some state agencies may add actions taken in previous years against a licensee, the majority are adding only new actions from 2012 or later. To view complete information regarding regulatory actions posted by the state agency, visit the state’s website.).

<sup>16</sup> The Bureau’s weak rationale is that “while the orders published are already public, they may not all be readily accessible in a comprehensive and collected manner, and *some* of the additional information submitted to the registry may not be readily available to the public.”

<sup>17</sup> 12 U.S.C. 5514(b)(4) (use of existing reports). The Bureau also cites CFPB sections 1022(b) and (c) as authority for the proposal. CFPB section 1022(c) provides for monitoring, and CFPB section 1022(c)(4)(B) regarding the methodology used by the CFPB to gather information, provides for the review of preexisting databases. CFPB section 1022(c)(3) does allow the Bureau to release a report and the report must be one of “significant findings.” However, no part of the proposal provides any concrete or supportive evidence of a significant finding that justifies creating this database. While the Bureau may collect

covered entities to disclose the same information multiple times, we believe the Bureau should utilize and improve existing platforms by communicating and collaborating with other parties operating similar registries, particularly the NMLS, to reduce duplication of efforts.

The Bureau should work with CSBS and the appropriate regulators to identify any existing gaps and deficiencies with the scope of orders submitted in NMLS and avoid spending significant time, money, and personnel to create an entirely new reporting system with marginal new benefits. To reduce any redundancies and duplications, the Bureau should exempt all covered entities that participate in the NMLS and any other similarly robust registries. At a minimum, the Bureau should exempt the orders that are captured in NMLS or a similar registry.

In sum, the Bureau suggesting that its public registry would be a “better” more comprehensive way to display or make available the information will still burden entities, many of which are struggling with resource constraints given the current market, with no clear benefit to consumers. We therefore urge the Bureau to exempt entities that are covered under existing registries such as the NMLS.

### **III. The Bureau Should Reevaluate the Attestation Requirement.**

The Bureau’s proposal would require certain supervised nonbanks to submit annual written statements regarding compliance with each underlying order, signed by an attesting executive. The Bureau’s attestation requirement should be eliminated. At the very least, the Bureau should not publicize the name and title of the executive, reconsider the supervised large nonbank threshold amount of \$1 million in annual receipts, and provide more clarity on the steps and procedures the attesting executive must undertake.

First, the Bureau should eliminate the attesting individual’s name and title on the public registry. As stated throughout the proposal, the information the Bureau seeks to collect already exists and most consent orders require signature from the subject company. The Bureau contends that the attestation requirement would help ensure the company providing the statement is a legitimate entity and that publicizing the identity of the attesting executive provides an enhanced incentive for supervised nonbanks to perform their obligations to consumers.<sup>18</sup> Since this information is already public in some other form, it is difficult to see how this requirement creates an “enhanced incentive” other than creating negative reputational costs. There are also other avenues to determine whether the company is a “legitimate company” and one that does not include listing a senior executive’s name and credentials. Moreover, the Bureau’s reasoning also makes very little sense and is difficult to understand – why would or what is the incentive for an illegitimate entity to post on the Bureau’s public registry?

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information from covered entities, subject to the limits enumerated above, the creation of a database by the CFPB is arguably not contemplated in the statute.

<sup>18</sup> 88 Fed. Reg. 6088, 6091.

The other purpose of this requirement, as the Bureau states, is to give the information of an executive to which consumers can direct their complaints.<sup>19</sup> However, covered entities already have procedures for the intake and escalation of consumers complaints in response to the Bureau's existing complaints database without the need to create a false perception that reaching out to a particular executive would be more effective. Other than publicly shaming an entity and individual and pinpointing that individual for a disgruntled consumer to go after, it is difficult to understand the purported benefits of this requirement. In fact, the shaming aspect could discourage competent compliance and risk management professionals from serving in these important roles in the mortgage industry.

Second, the Bureau needs to reconsider the threshold amount. The proposal consistently references the attestation requirement as only applying to large, supervised nonbanks. However, the \$1 million in gross receipts exemption threshold is essentially meaningless. Nearly all nonbanks, and most MBA members, will be subject to this requirement. In fact, this artificially low threshold appears contrary to section 1024(b)(2) of the Dodd-Frank Act which requires the Bureau to tailor supervision of nonbanks by asset size, volume, risks to consumers, and degree of state oversight. Again, if the Bureau does not eliminate the attestation requirement, we suggest the threshold that is currently set be significantly increased to a more acceptable level and one that truly exempts the smaller entities.

Third, the responsibilities of the attesting individual meant to ensure compliance under the proposed rule are unclear. While this might be revelatory of the Bureau's own recognition of the limited benefits outside of public exposure to this requirement in light of all the other supervisory and legal requirements, it will create confusion for the prospective registrants. Specifically, the Bureau states "the proposed rule would not establish any minimum procedures or otherwise specify the steps the attesting executive must take to review and oversee the supervised registered entity's activities."<sup>20</sup> This lack of clarity could make it difficult to hire the right people to oversee compliance with the rule and is generally concerning.

Finally, as many of our members report, the Bureau's proposal completely fails to consider that this may discourage some covered entities, particularly smaller nonbanks, from retaining compliance professionals who must assist in the process. Furthermore, the availability of the individuals' information may give rise to unrelated frivolous litigation and "fishing expeditions" by plaintiffs' counsel. The cost of insurance will undoubtedly increase as a result of the new exposure and litigation.

In sum, we believe the requirement is unnecessary, onerous, vague, and adds little to no value to the Bureau fulfilling its objectives. We urge the Bureau to eliminate the attestation requirement. At a minimum, the Bureau should eliminate the publication requirement, reconsider the large supervised nonbank threshold, and clarify the attestation requirements.

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<sup>19</sup> *Id.* at 6102.

<sup>20</sup> *Id.* at 6100.



#### **IV. The Bureau's Proposal Will Impact How Covered Entities Settle Lawsuits.**

The Bureau's proposal may have an impact on a company's decision to settle lawsuits quickly because of the increased publicity and the costs of submitting, monitoring, and updating the information the Bureau requests. Where covered entities would otherwise settle, the effects of registering an order may push covered entities to litigate enforcement or civil actions.

Companies often settle as a business decision not to incur the cost, delay and/or uncertainty of a defense. Companies often will settle with regulators without admission of liability in order to avoid conflict with their respective regulators, which may expedite consumer relief. Companies may similarly settle with consumers even when they might not have a solid case for liability, because it is often less expensive to provide redress than it is to dispute the underlying claim—particularly for technical violations. However, this registry will likely change that calculus. Instead of deciding to settle a lawsuit to expedite resolution, covered entities may opt in favor of litigating an issue for fear of having to participate in the registry. As discussed above, the average consumer may not understand the significance of settling for a minor penalty. Given this, covered entities will want to avoid having to list any orders in the registry even if the order concerns a minor infraction.

#### **V. Conclusion**

For the reasons stated above, the Bureau should withdraw this proposal with respect to those already subject to the NMLS Consumer Access and similar registries. Doing so is consistent with both the Bureau's statutory obligations and proper analysis of the costs and benefits of this proposal.

Thank you in advance for your consideration of these comments. Should you have questions or discuss further, please contact me at (202) 557-2878 and [pmills@mba.org](mailto:pmills@mba.org) or my colleagues Justin Wiseman at (202) 557-2854 and [jwiseman@mba.org](mailto:jwiseman@mba.org) or Alisha Sears, at (202) 557-2930 and [asears@mba.org](mailto:asears@mba.org).

Sincerely,



Pete Mills  
Senior Vice President  
Residential Policy and Strategic Industry Engagement  
Mortgage Bankers Association



March 31, 2023

Legal Division Docket Manager  
Consumer Financial Protection Bureau  
1700 G Street NW  
Washington, DC 20052  
Docket No. CFPB-2022-0080  
RIN 3170-AB13

*Re: Proposed Rulemaking – Registry of Nonbank Covered Persons Subject to Certain Agency and Court Orders*

Dear Sir or Madam,

The Conference of State Bank Supervisors (“CSBS”)<sup>1</sup>, along with the American Association of Residential Mortgage Regulators (“AARMR”), the National Association of Consumer Credit Administrators (“NACCA”), the North American Collection Agency Regulatory Association (“NACARA”), and the Money Transmitter Regulators Association (“MTRA”) (collectively, “state regulators”), appreciates the opportunity to provide comments on the Notice of Proposed Rulemaking (“NPR”) issued by the Consumer Financial Protection Bureau (“CFPB” or “Bureau”) regarding a *Registry of Nonbank Covered Persons Subject to Certain Agency and Court Orders* (“CFPB Registry”). The NPR would require certain nonbank entities that have violated federal or state consumer protection laws and are under final public actions issued by local, state, or federal agencies to register with the Bureau and provide up-to-date information on such covered orders. The NPR would also require a senior official from certain supervised nonbanks to provide an annual written statement attesting to compliance with covered orders. Information shared by covered nonbanks, including the identity of the attesting officials, would be published by the Bureau in a new CFPB Registry for use by the public. Commentary within the NPR states the CFPB Registry is necessary to ensure the Bureau and its enforcement partners can identify “repeat offenders” who are failing to adhere to the terms of existing orders or are engaging in additional violations of consumer protection laws.

State regulators license and regulate a large number and range of nonbank financial services providers, including mortgage lenders and servicers, consumer finance companies, money services businesses, and

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<sup>1</sup> CSBS is the nationwide organization of state banking and financial regulators from all 50 states, American Samoa, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. CSBS supports the state banking agencies by serving as a forum for policy and supervisory process development, by facilitating regulatory coordination on a state-to-state and state-to-federal basis, and by facilitating state implementation of policy through training, educational programs, and exam resource development.

debt collectors. State regulators utilize the Nationwide Multistate Licensing System & Registry (“NMLS”) for licensing purposes and as a system of record for nonbank firms and individual mortgage loan originators. Congress codified the use of NMLS as a comprehensive licensing and supervisory database for the residential mortgage industry with the passage of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (“SAFE Act”). State agencies subsequently expanded their use of NMLS to manage license authorities beyond the mortgage industry. Congress and state regulators also recognized that sharing licensing and enforcement information with consumers could empower them to make better educated decisions in the marketplace for nonbank financial services. In 2010, state regulators launched NMLS Consumer Access, a fully searchable website that allows consumers to view information regarding state licensed nonbank entities as well as state licensed and federally registered mortgage loan originators. In place for fifteen years, NMLS is an established registry well known to consumers, nonbank firms, and federal regulators.

In addition to exercising licensing and prudential authority over nonbanks, state regulators supervise for compliance with *both* state and federal consumer financial laws, a province that is significantly broader than the Bureau’s. The CFPB is authorized to supervise a defined set of industries for compliance with federal consumer financial laws.

State regulators and the CFPB share the objective of protecting consumers from harmful practices of consumer financial services providers. Like the Bureau, state regulators believe it is prudent to prioritize supervisory efforts on entities that pose the greatest risk of harm to consumers. However, state regulators view the creation of the proposed CFPB Registry as misguided for the following reasons:

- The Bureau has not proven there is a recidivism problem with nonbanks that necessitates the creation of the CFPB Registry, and state regulators effectively protect consumers from repeat offenders.
- The CFPB Registry will be expansive, costly, and complex for covered nonbank entities, particularly small nonbank firms, and the Bureau notes it will have little impact on consumer behavior.
- A significant share of covered public enforcement actions are already reported by state regulators and the CFPB in the Nationwide Multistate Licensing System & Registry (“NMLS”), particularly for nonbank entities subject to CFPB supervisory authority. This information is available to the public through NMLS Consumer Access.
- Requiring attestations of compliance with state actions could position the Bureau to ostensibly exercise supervisory and enforcement authority over laws for which the CFPB has not been granted such authority, and it could pose serious challenges to state supervision and enforcement efforts.
- The NPR’s Appendix of covered state laws does not provide a comprehensive view of state consumer protection efforts.

## STATE REGULATORS EFFECTIVELY PROTECT CONSUMERS FROM REPEAT OFFENDERS

A year ago, CFPB Director Rohit Chopra delivered a speech regarding repeat offenders at the University of Pennsylvania. When discussing repeat offenders within the financial sector, the Director referred to repeat violations committed by the largest national banks, noting that the Bureau had taken action specifically against Citigroup, JPMorgan Chase, and Wells Fargo a minimum of four times *each*.<sup>2</sup> Notably, the Director's remarks *did not* emphasize a recidivism problem among nonbank financial services providers.

State regulators are highly concerned by cases in which financial services providers commit repeat violations of consumer protection laws or fail to adhere to the terms of existing orders. However, states have not witnessed widespread issues with or a growing trend of recidivism among nonbanks that would necessitate the creation of the proposed CFPB Registry. Moreover, state regulators have supervisory practices and programs in place to oversee companies subject to regulatory actions with an objective that the firms take appropriate remedial actions and do not continue to harm consumers through ongoing or repeat violations of consumer financial laws. For example, state regulators engage in enhanced monitoring and supervision of financial services providers subject to enforcement actions, which requires ongoing reporting to regulators from entities under state orders. State regulators' enhanced monitoring and supervision is designed to ensure firms take necessary corrective actions to prevent recurrence of violations. If the company is violating other state *or* federal consumer protection laws, these are regularly identified during this ongoing monitoring and enhanced supervision as well. Additionally, state regulators frequently coordinate their enforcement orders with one another, the Bureau, and/or other law enforcement partners.

As an example, the Washington State Department of Financial Institutions ("WA DFI") cited Quicken (now Rocket Mortgage) for violations of federal advertising laws in 2016 and pursued an unfair, deceptive, or abusive act or practice ("UDAAP") action against the company. In 2018, state examiners found repeat advertising violations, triggering additional WA DFI investigations as well as a multistate action in 2021, which included twelve states.<sup>3</sup> The coordinated action required the company to pay heightened penalties and to establish improved advertising standards. During the multistate examination, the CFPB was kept informed of state efforts through the State Coordinating Committee ("SCC"), a group established by the States under a coordinated supervision framework established with the CFPB in 2013 to share information, maintain consistent standards for examinations, and coordinate examination schedules and allocation of resources.

State law enforcement officials also work independently as well as in partnership with the CFPB to protect consumers from repeat offenders. In 2020, the CFPB and New York Attorney General filed suit

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<sup>2</sup> Prepared Remarks of CFPB Director Rohit Chopra. "Reining in Repeat Offenders." 2022 Distinguished Lecture on Regulation. University of Pennsylvania. March 28, 2022. Available here: [cfpb\\_reining-in-repeat-offenders\\_cited-lecture\\_2022-03.pdf \(consumerfinance.gov\)](https://www.consumerfinance.gov/lectures/2022-03/cfpb-reining-in-repeat-offenders-cited-lecture-2022-03.pdf)

<sup>3</sup> Washington Department of Financial Institutions Press Release, "WA DFI Finalizes Multi-State Settlement Regarding Rocket Mortgage, LLC's Advertising Practices. September 23, 2021. Available here: [WA DFI Finalizes Multi-State Settlement Regarding Rocket Mortgage, LLC's \(F/K/A Quicken Loans, LLC\) Advertising Practices](https://www.wadfi.com/press-releases/wa-dfi-finalizes-multi-state-settlement-regarding-rocket-mortgage-llcs-advertising-practices)

against several nonbank entities involved in a debt collection ring for repeat deceptive practices in violation of the Fair Debt Collection Practices Act (“FDCPA”). In May 2022, the Federal District Court for the Western District of New York issued a judgment that required the defendants to pay \$4 million in civil money penalties and permanently banned the entities involved from the debt collection business.<sup>4</sup> These and other cases illustrate that government agencies, including the Bureau, can identify repeat offenders through existing monitoring and coordination mechanisms.

### **THE PROPOSED CFPB REGISTRY PROVIDES LITTLE NEW CONSUMER BENEFIT AT GREAT COST TO SMALL BUSINESSES**

The CFPB’s coverage estimates for the NPR, coupled with data from NMLS, indicate that the Bureau will be undertaking significant effort and expense to construct a Registry that primarily captures and impacts small businesses that have never interacted with the Bureau in any other context. First, the Bureau estimates that 155,043 nonbank entities could be offering a covered consumer financial product or service. For context, this represents more than seven times the 21,714 companies over which the CFPB estimates, in a separate proposed rulemaking, that it has *supervisory* authority.<sup>5</sup> The Bureau claims that between 1% and 5%, i.e., 1,550 to 7,752 of the 155,043 nonbank firms are likely subject to a covered order, and it is only these firms that would need to report such an order for publication on its proposed CFPB Registry. The Bureau states that because only 1% to 5% of covered nonbanks would need to comply with the NPR’s registration and reporting requirements, the NPR would not have a significant economic impact on a substantial number of small entities.

However, the Bureau makes no effort to estimate the size or any other relevant characteristics of firms that would be required to register with the CFPB and report a covered order. Since NMLS is currently the most comprehensive registry of nonbank financial services providers, NMLS Call Report data may be used to estimate the number of small firms that might ultimately be subject to the proposed CFPB Registry. Based on their annual receipts, nearly 96% of the over 18,100 state-licensed nonbank NMLS Call Report filers would be classified as “small businesses” by the U.S. Small Business Administration (SBA).<sup>6</sup> Using NMLS Call Report filers as a proxy, roughly 96% of other nonbank entities offering a covered consumer financial product or service would also likely be classified as small businesses. Applying this proportion to the Bureau’s estimate of the number of firms likely subject to a covered order concludes that roughly 1,448 (96% of 1,550) to 7,442 (96% of 7,752) prospective CFPB registrants would be small businesses. One could reasonably deduce this proposed rule would predominantly impact small nonbank entities.

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<sup>4</sup> CFPB Press Release, “CFPB and New York Attorney General Shut Down Debt Collection Ring.” May 23, 2022. Available here: [CFPB and New York Attorney General Shut Down Debt Collection Ring | Consumer Financial Protection Bureau \(consumerfinance.gov\)](https://www.consumerfinance.gov/newsroom/cfpb-and-new-york-attorney-general-shut-down-debt-collection-ring/)

<sup>5</sup> The CFPB provides this estimate in *Registry of Supervised Nonbanks That Use Form Contracts to Impose Terms and Conditions That Seek to Waive or Limit Consumer Legal Protections*. Available here: [https://files.consumerfinance.gov/f/documents/cfpb\\_registry-of-supervised-nonbanks\\_2023-01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_registry-of-supervised-nonbanks_2023-01.pdf)

<sup>6</sup> For example, the SBA considers “Real Estate Credit” or “Consumer Lending” companies with less than \$47 million in annual receipts to be small businesses. See “Table of Small Business Size Standards Matched to North American Industry Classification System Codes.” U.S. Small Business Administration. Available here: [SBA Table of Size Standards](https://www.sba.gov/sites/default/files/2018-07/2018-Table-of-Small-Business-Size-Standards-Matched-to-North-American-Industry-Classification-System-Codes.pdf)

The Bureau also states that because covered orders are already public, the NPR would not have a significant economic impact on a substantial number of small entities. However, the NPR underestimates the compliance costs and complexity for nonbank entities. Notably, more than 133,300 of the estimated 155,043 firms offering covered consumer financial products or services, including roughly 128,000 small businesses, are not subject to CFPB supervision and, therefore, have likely never interacted with the Bureau in any regulatory, supervisory, enforcement, or any other context. These firms will be required to undertake complex legal and compliance analyses to understand if and how to comply with the CFPB's novel self-reporting requirements, and then also register with the Bureau. A small nonbank entity that is not subject to the CFPB's supervisory authority will likely need to engage legal counsel to help discern and decide if and how it must potentially self-report a covered order issued by a separate agency or court, and simultaneously register with a new agency (the CFPB) it heretofore might not have been aware of and never contemplated as part of its firm's compliance framework.

Commentary in the NPR suggests that "for firms unsure of their obligations under the proposed provision, one option would be to hire outside legal counsel to advise them on these issues."<sup>7</sup> The Bureau also acknowledges this could be costly for small firms. As a second option, the Bureau suggests such firms register with the CFPB, even if doing so is not legally required. Suggesting that nonbank entities comply with the rule because it is cheaper than determining whether compliance is required does not achieve an acceptable level of clarity in rulemaking, and again fails to account for the impact of the rule on small businesses, many of which have limited compliance resources or funds to put toward legal expenses. State regulators are concerned the NPR raises more questions about if, when and how a nonbank entity might be required to report an order to the CFPB than could be reasonably expected of such firms to understand or comply.

State regulators fully expect small businesses to comply with any and all state and federal consumer financial laws. Additionally, state regulators recognize that complying with regulatory requirements often necessitates costs and degrees of complexity, irrespective of a regulated entity's size. Therefore, regulatory costs and complexities must be weighed against their benefits. To this point, the Bureau makes a curious and problematic summation regarding the ultimate benefit to consumers of creating this expansive, costly, and complex new CFPB Registry for companies that it does not supervise: "[The Bureau] believes that most consumers would not change their behavior due to this proposed [CFPB Registry]," and it implicitly acknowledges that the covered orders published on the CFPB Registry would not constitute the type of "impactful information disclosures" that would "materially affect consumer decision-making."<sup>8</sup>

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<sup>7</sup> Page 177 of Registry NPR PDF. Available here: [Registry of Nonbank Covered Persons Subject to Certain Agency and Court Orders \(consumerfinance.gov\)](https://www.consumerfinance.gov/registry)

<sup>8</sup> The Supplementary Information notes this in both the "Dodd-Frank Act Section 1022(b)(2) Analysis" and "Regulatory Flexibility Act Analysis" on pages 186 & 199.

## **NMLS CONTAINS INFORMATION ON PUBLIC ORDERS FOR MOST STATE AND CFPB-SUPERVISED NONBANKS**

The Bureau states that one of the primary goals of the proposed CFPB Registry is to aid it and other regulatory partners, such as state regulators, in prioritizing certain firms for risk-based supervision. However, the proposed CFPB Registry would add little value to either the Bureau's or state regulators' efforts to prioritize certain companies for risk-based supervision because a significant share of covered orders on CFPB-supervised nonbank entities are currently reported in NMLS.

As previously noted, the CFPB does not have supervisory authority over 86% of the 155,043 nonbank entities it estimates could be offering a covered consumer financial product or service. Again, the Bureau estimates in a separate proposed rulemaking that roughly 21,714 nonbank entities are likely subject to its *supervisory* authority.<sup>9</sup> For CFPB-supervised nonbanks subject to a covered order, the Bureau proposes a more substantial reporting and executive attestation regime ("Supervisory Reports Provision"), if such company has more than \$1 million in annual receipts. State regulators wish to first comment on the scope of the reporting aspects of the Supervisory Reports provision and then will address the annual executive attestation requirement in more detail.

Since the CFPB Registry NPR makes no attempt to estimate the number of nonbank entities subject to the Bureau's supervisory authority, it also fails to estimate how the proposed annual receipts exemption might narrow the larger universe of CFPB-supervised covered nonbanks that would ultimately be subject to the Supervisory Reports Provision. Here again, NMLS Call Report data can be used to estimate the number of CFPB-supervised firms that will be subject to the NPR's more substantial reporting requirements. Nearly 26% of NMLS Call Report filers, i.e., 4,643 of over 18,100 companies, reported 2022 annual receipts of more than \$1 million. Using this NMLS data as a proxy, roughly 26% of the 21,714 CFPB supervised entities would have more than \$1 million in annual receipts and be subject to the Supervisory Reports Provision. If, as the Bureau estimates, only 1% to 5% of those 5,646 firms are subject to a covered order, then the CFPB Registry would provide regulatory insight for "risk-based supervision" purposes on only about 56 to 282 companies over which the CFPB has supervisory authority.

However, there is reason to believe that a significant share of the covered order information captured by the proposed CFPB Registry on these 56 to 282 CFPB-supervised nonbank entities is likely already available in NMLS Consumer Access. There are currently over 31,000 nonbank entities licensed by state regulators through NMLS, including all mortgage companies, most money services businesses ("MSBs"), and many other types of nonbanks such as consumer finance companies and debt collectors. Covered orders issued by state regulators on these 31,000 nonbank companies would already be published on NMLS Consumer Access, as well as covered orders issued by the CFPB on nonbank entities subject to its supervisory authority.

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<sup>9</sup> CFPB Proposed Rulemaking: *Registry of Supervised Nonbanks That Use Form Contracts to Impose Terms and Conditions That Seek to Waive or Limit Consumer Legal Protections*. Available here: [Registry of Supervised Nonbanks that Use Form Contracts to Impose Terms and Conditions that Seek to Waive or Limit Consumer Legal Protections \(consumerfinance.gov\)](https://www.consumerfinance.gov/registries/supervised-nonbanks)

In 2022, state agencies posted 1,382 public regulatory actions in NMLS Consumer Access, and the CFPB posted 28 actions it had taken against companies and individuals in NMLS. In the same year, NMLS Consumer Access received more than 196.5 million page views from more than 8.4 million visitors.<sup>10</sup> As noted by the Bureau in the proposal commentary, NMLS does not cover all nonbank industries, but the discrepancy between the number of nonbank entities licensed by states through NMLS and the number of firms subject to CFPB *supervisory* authority appears negligible. The proposed CFPB Registry will likely be largely duplicative of NMLS and provide little new insight for risk-based supervision purposes, particularly for the mortgage and MSB industries.

State regulators strongly recommend that the Bureau not build and maintain its own public CFPB Registry given the cost and confusion it could cause nonbank financial services companies that are already licensed and registered through the statutorily authorized NMLS, as well as the confusion it could cause consumers and other public users of NMLS Consumer Access. However, if the Bureau chooses to proceed with its own public CFPB Registry, state regulators highly recommend that the CFPB exempt companies from the requirement of filing any public order that is already published on NMLS Consumer Access. Such an exemption would help minimize company, consumer, and other public user confusion when utilizing both NMLS Consumer Access and the proposed CFPB Registry.

#### **EXECUTIVE ATTESTATIONS WILL INFRINGE UPON STATE AUTHORITY AND FRUSTRATE STATE SUPERVISION AND ENFORCEMENT EFFORTS**

State regulators have serious concerns regarding the potential impacts of the NPR on state supervision and enforcement efforts, particularly the requirements regarding executive attestation of covered orders at covered nonbanks for which the CFPB has supervisory authority. The CFPB's efforts to require nonbank entities to annually attest to complying with covered orders issued by a state, especially orders based on violations of state or local law, appears to be an effort by the Bureau to ostensibly exercise supervisory and enforcement authority over laws for which it has not been granted such authority. In addition, requiring executive attestations for state orders based on violations of *federal* consumer financial laws is onerous, duplicative, unnecessary, and may ultimately weaken the original regulatory action and order.

According to the NPR, nonbank entities that are subject to CFPB supervision, under a covered order, and have more than \$1 million in annual receipts are required to appoint an executive who will attest, on an annual basis, to the company's compliance with the reported orders. Covered orders often require and direct companies to take numerous actions, such as rectifying any harm to consumers and remediating the underlying deficiencies that led to the initial violations. By virtue of their terms and requirements, ongoing supervision and enforcement efforts are part and parcel of these covered orders. In such instances where covered orders, and their associated actions, are based on violations of state and/or local consumer financial laws, the NPR will require companies to submit annual attestations to the CFPB regarding compliance with laws for which the Bureau has no supervisory or enforcement related authority. The CFPB fundamentally lacks the requisite authority to "monitor" individual nonbank entities

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<sup>10</sup> Source: NMLS Data



and hold company executives accountable for compliance with state orders based on violations of state consumer financial laws. Moreover, as noted earlier, state regulators conduct enhanced supervision and ongoing monitoring of companies that are subject to such orders.

The attestation requirement will also include covered orders based on violations of federal consumer financial laws. Congress has granted state regulators the authority to enforce federal consumer financial laws at state-licensed nonbank entities, and they may take unilateral action against a company for violating a federal consumer financial law. Irrespective of whether a federal consumer protection law has been violated, the attestation requirement could frustrate a state regulator's ability to effectively resolve supervisory matters or to finalize enforcement orders if the nonbank entity is concerned about becoming subject to new layers of CFPB legal liability (for both individual officials and the company) and additional reporting requirements. At a minimum, this requirement will unnecessarily overlap with and complicate state efforts to supervise nonbanks for compliance with federal law.

Ultimately, the implication of the proposed executive attestation requirement is that the Bureau has authority and responsibility to follow up on and enforce actions entered into by other agencies. However, they have not demonstrated such a need nor the authority to do so. As previously noted, state regulators have a record of effective follow-up actions and are confident they can rely on their own supervision and monitoring of firms with enforcement actions without the need for additional, annual attestations required by the CFPB.

Moreover, state regulators maintain that our established information sharing and supervisory coordination protocols with the CFPB provide the most effective and straightforward means for the Bureau and state regulators to raise concerns and identify potential instances of recidivism at nonbank entities. State regulators look forward to continued collaboration with the Bureau in these settings to ensure nonbank entities are complying with consumer financial laws and providing consumers with safe and fair products and services.

#### **THE PROPOSAL INTRODUCES OTHER COMPLEXITIES AND CONFUSION FOR COVERED ENTITIES AND CONSUMERS**

The Bureau has not provided enough clarity on how it might identify repeat offenders, and specifically what it means to be a repeat offender, based on the various facts, circumstances, and potential violations that lead to a public order. This ambiguity raises questions including:

- Is a nonbank considered a repeat offender only if it has violated the same consumer financial law multiple times, or is an entity with multiple violations of different consumer protection laws also considered a repeat offender?
- Would an entity be considered a repeat offender if it has certain violations that are administrative or licensing related and others that are consumer related?
- How would the same or similar violations across different business lines be treated?
- What if multiple states take unilateral action for a firm's violation of the same consumer financial law? Could violations of certain administrative laws be interpreted by the Bureau to be violations of state UDAP/UDAAP laws?

It seems unlikely that these questions could be clarified to the degree necessary for nonbank entities with a covered order to understand their reporting and/or attestation obligations to the Bureau, especially given the vast majority of these orders would be entered into with enforcement agencies other than the CFPB.

In addition to causing confusion for covered entities, the NPR is likely to cause confusion for consumers and other public users of the proposed CFPB Registry. As evidenced by the volume of page views, many consumers utilize NMLS Consumer Access to search for information about state-licensed nonbanks, including information on public enforcement actions. Most states require nonbank mortgage lenders to display their NMLS unique company identification numbers, which are prominently displayed in radio, TV, and print advertising. Consumers can easily use this information to conduct due diligence prior to conducting transactions with a nonbank or state-licensed individual. Consumers visiting either the proposed CFPB Registry or NMLS Consumer Access may be confused as to why they are unable to locate information on certain companies on one site and not the other. Additionally, identical or similar information on the same company published in different formats by different online tools may frustrate consumers looking for critical financial services information. Commentary within the NPR indicates that the CFPB Registry will improve the Bureau's consumer education efforts, but the Bureau does not offer any data to quantify these benefits and, again, notes that its CFPB Registry will not contain "impactful information disclosures" that will "materially affect consumer decision-making."<sup>11</sup>

#### **STATE CONSUMER PROTECTION EFFORTS GO WELL BEYOND THE APPENDIX OF COVERED STATE LAWS**

The Appendix of state laws contained within the NPR does not paint a complete picture of state consumer protection efforts. Much of the consumer protection work conducted by state regulators takes place using business conduct related laws or other provisions that are not covered laws under the NPR. State regulators may choose to utilize these laws to protect consumers because state UDAP/UDAAP authority rests with the Attorney General's Office or simply because the laws are the best fit for the situation. NMLS Consumer Access includes information on actions related to violations of covered consumer protection laws as well as actions related to licensing or administrative violations that would not be covered under the NPR. Therefore, it provides consumers with a more complete picture of nonbank enforcement actions than will be provided by the proposed CFPB Registry. In addition, the Appendix contains laws that may be inapplicable or outdated in certain states. As an example, users of the CFPB Registry may not find any enforcement actions related to certain payday lending laws in states that have recently enacted usury laws that cap rates at 36%. The Bureau or other users of the public CFPB Registry could draw inaccurate conclusions based on what they perceive to be gaps in enforcement for certain laws, industries, or geographies.

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<sup>11</sup> Pages 186 & 199 of Registry NPR PDF. Available here: [Registry of Nonbank Covered Persons Subject to Certain Agency and Court Orders \(consumerfinance.gov\)](https://www.consumerfinance.gov/Registry-of-Nonbank-Covered-Persons-Subject-to-Certain-Agency-and-Court-Orders)

**CONCLUSION**

The state system of licensing and supervising nonbank entities serves as a strong line of protection for consumers engaging in transactions with these firms. Consumers are well served by the existing framework that allows for state licensing and registration of nonbanks and for states and the CFPB to act as co-enforcers of federal consumer protection laws. When violations of consumer protection laws are identified, state regulators work independently, together, and/or in partnership with the CFPB to hold companies accountable. The Bureau has not proven there is a recidivism problem with nonbanks that necessitates building a new CFPB Registry that will be costly and complex for companies and will not provide any identified benefit for consumers but, instead, will likely cause industry and consumer confusion. These structural deficiencies are exacerbated by the fact the Bureau has no supervisory or enforcement authorities that allow it to require companies to comply with state consumer financial laws or other state laws.

State regulators reiterate their request for the Bureau to reconsider the creation of the proposed CFPB Registry. If the Bureau chooses to proceed, state regulators ask that the CFPB exempt companies from the requirement of filing a public order if the order is already published on NMLS Consumer Access. State regulators would welcome the opportunity to discuss these comments in more detail as the Bureau considers next steps for the NPR.

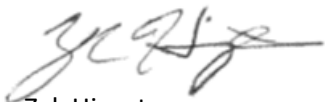
Sincerely,



James M. Cooper  
President & CEO  
CSBS



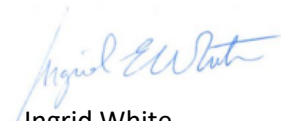
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