

- SUBJECT:** Use of national registry by the consumer credit commissioner
- COMMITTEE:** Investments and Financial Services — committee substitute recommended
- VOTE:** 7 ayes — Villarreal, Flynn, Anderson, Burkett, Laubenberg, Longoria, Phillips
0 nays
- WITNESSES:** For — (*Registered, but did not testify:* Allen Beinke, Texas Property Tax Lienholders Association; Daniel Gonzalez, Texas Association of Realtors; Doug Ruby, Texas Property Tax Lienholders Association)
Against — None
On — Robert Bacon, Texas Department of Banking; Leslie Pettijohn, Office of Consumer Credit Commissioner; John Fleming;.
- BACKGROUND:** The Nationwide Mortgage Licensing System and Registry (NMLS) was created by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators in 2008. It serves as a system of record for the licensing and registration of non-depository financial services companies and individuals.

The U.S. Congress passed the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act) in 2008. It requires residential mortgage originators to register with the NMLS. The NMLS has expanded to include other business segments and types of lenders.

Texas Finance Code, sec. 180.052 requires licensed residential mortgage loan originators to enroll with the NMLS. The Office of the Consumer Credit Commissioner regulates the credit industry in Texas.
- DIGEST:** CSHB 1721 would allow the Office of the Consumer Credit Commissioner (OCCC) to require applicants seeking a license to work in a consumer loan, motor vehicle installment loan, property tax lending, credit access (including payday and auto title lenders), or debtor assistance business to submit information, documents, or fee payments through the Nationwide Mortgage Licensing System (NMLS).

The commissioner could use the NMLS as a channeling agent to obtain certain information, including criminal history and administrative, civil, or criminal findings by a government jurisdiction, that was required for the license or registration application process.

The bill would take effect September 1, 2013.

**SUPPORTERS
SAY:**

CSHB 1721 would improve the Texas commissioner's coordination with other state regulators, allow businesses to operate more efficiently, protect consumers, and prevent encroachment by federal regulators.

The bill would allow the commissioner to operate more efficiently and effectively by accessing applicants' license information through the NMLS. Many other states already use the NMLS. Allowing the Texas commissioner to use the registry system would help the OCCC to better perform its job by improving access to applicant information.

The bill would benefit companies registered in more than one state by allowing them to use the NMLS as a central depository for license application, modification, and renewal. Many companies regulated by the commissioner operate in multiple states, so allowing their use of the national registry would reduce paperwork, increase efficiency, and allow for the management of licensing from a national perspective.

Companies that operate only in Texas still would be allowed to use the commissioner's online portal to file a single application. Pawnbrokers, which are not subject to CSHB 1721, could continue to operate as they do today because they often are small businesses that operate only within the state.

Texas' banking industry and protections for consumers would be strengthened by the sharing of information with other state bank regulators. Bad actors that did business unethically in another state would not be able to move to Texas and establish themselves undetected.

The bill would help prevent the encroachment of federal regulators. The NMLS is run by state regulators, and using the system could prevent the federal government from taking up that role.

OPPONENTS

The bill should include pawn shops in the types of companies that use the

SAY: NMLS. The ability to share information with other state regulators about those pawn shops that do operate in multiple states would strengthen consumer protection.

NOTES: The committee substitute removed pawn shops from the list of businesses that would be regulated by the bill.

The companion bill, CSSB 232 by Carona, passed the Senate by a 31-0 vote on the Local and Uncontested Calendar on March 13.