

Three Key NMLS Changes Private Lenders Should Be Watching



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The Nationwide Multistate Licensing System (NMLS) is in the midst of a multi-year modernization effort that will materially affect how mortgage companies – including private lenders – operate, report, and manage compliance. Among the most consequential developments are: (1) proposed revisions to Mortgage Loan Originator (MLO) disclosure questions, (2) significant changes to the Mortgage Call Report (MCR), and (3) the reporting of remote work status.

Individually, each of these changes may seem incremental. Taken together, however, they reflect a clear regulatory trajectory toward greater transparency, more standardized reporting, and increased scrutiny of both individuals and entities. For private lenders – who often operate with leaner infrastructure and more flexible business models – these changes present both operational challenges and compliance risks.

Just as a reminder: The NMLS license is required for a person who takes a residential mortgage loan application or offers or negotiates terms of a residential mortgage loan for compensation or gain, with some exceptions.¹ A residential mortgage loan is a consumer loan secured by a deed of trust on a 1-4 unit dwelling.² Persons who only take business purpose

loan applications or only offer or negotiate terms of business purpose loans are exempt.

1. MLO Disclosure Question Revisions: More Clarity, Broader Context

The proposed revisions to MLO disclosure questions are not a wholesale expansion of disclosure obligations, but rather a restructuring designed to improve clarity, consistency, and usability for regulators. Historically, disclosure questions have been criticized as overly broad, ambiguous, or duplicative. The revised framework attempts to address those concerns.

Key Changes

- **Removal of Speculative Language:**
One of the most important updates is the removal of phrases such as “could result in a finding.” This eliminates the need for licensees and MLOs to speculate about potential outcomes and instead focuses disclosures on actual allegations and proceedings.
- **Clearer Distinction Between Allegations and Outcomes:**
The revised questions better separate:
 - Pending matters (allegations),
 - Final actions (findings or orders), and

- Remedies being sought (e.g., injunctions).

This structure should improve consistency in reporting and make it easier for regulators to evaluate responses.

- **Expanded Focus on Professional Licenses and Regulatory Actions:**
The revisions reinforce that regulators are not only concerned with mortgage-related conduct, but also with broader “character and fitness” considerations. As a result, disclosure questions now more clearly capture:
 - Actions involving other professional licenses, and
 - Regulatory actions beyond traditional mortgage enforcement contexts.
- **Alignment Between Company (MU1) and Individual (MU2) Filings:**
The revised structure improves consistency between company-level and individual-level disclosures, reducing confusion and helping regulators cross-reference information more effectively.

continued on page 20

Impact on Private Lenders

From a practical standpoint, the changes to the disclosure questions mean that private lenders may want to review and potentially update all of their MLO's MU2's and company's MU1's. In any case, the NMLS is requiring all MLO's and companies to update their MU forms by August 31, 2026, as part of their modernization effort.

2. Mortgage Call Report (MCR) Version 7: A Data Expansion Exercise

The transition to Mortgage Call Report Form Version 7 represents one of the most significant reporting changes since the MCR was introduced. The new version becomes effective with the Q1 2026 filing (due May 15, 2026) and reflects regulators' increasing reliance on data-driven supervision.

Key Changes

- **Expanded Servicing and Performance Data (LS Series):**
Version 7 introduces more than 60 new data points focused on servicing activity, including:
 - Loan status and delinquency categories,
 - Investor or counterparty type (e.g., agency vs. private),
 - Remittance structures, and
 - Portfolio performance metrics.
- **New Forbearance and Foreclosure Reporting:**
Regulators are now requiring detailed reporting on:
 - Loans entering and exiting forbearance, and

- Foreclosure activity across different ownership categories.

This reflects a post-pandemic emphasis on monitoring loan performance and borrower outcomes.

Simplified and Standardized Definitions:

Certain definitions – such as “Qualified Mortgage” – have been simplified and aligned directly with federal regulations (e.g., Regulation Z), reducing the need for interpretive analysis within the MCR itself.

Improved Validation and Data Integrity Controls:

The revised form includes more consistent field structures and validation rules, increasing the likelihood that filing errors will be flagged.

continued on page 21

Impact on Private Lenders

For private lenders, the MCR changes are less about legal interpretation and more about operational execution.

Key considerations include:

- **Data Availability:**
Even lenders that do not service loans extensively may need to track additional data fields to complete the report accurately.
- **System Integration:**
Loan origination systems (LOS), servicing platforms, and accounting systems must be aligned to produce consistent data outputs.
- **Internal Coordination:**
Compliance, servicing, and finance teams will need to collaborate more closely to ensure data integrity.
- **Increased Scrutiny:**
Regulators are expected to use MCR data more actively in examinations, meaning inaccuracies or inconsistencies may trigger follow-up inquiries.

3. NMLS Remote Work Changes

Key Changes

- Remote work is no longer a temporary accommodation in the mortgage industry – it is now a regulated operating model. As outlined in recent NMLS guidance, regulators are formalizing expectations for Mortgage Loan Originators (MLOs) who perform licensable activities outside of traditional branch locations.
- In this context, “remote” refers to any location – typically a residence – where an MLO conducts business outside a licensed office. Importantly, remote work is not a separate license type but a work-status designation that must be captured in NMLS filings. New classifications such as office-centric, hybrid, and fully remote are being introduced to better reflect how MLOs operate in practice .

This shift reflects a broader regulatory trend. Prior to COVID-19, most states required mortgage activity to occur from licensed branches. Pandemic-era waivers allowed temporary flexibility, but regulators are now making remote work permanent – subject to strict compliance guardrails. Today, most states permit remote work, but only under clearly defined conditions.

Impact on Private Lenders

For private lenders, this means increased compliance obligations. Regulators expect written policies governing remote supervision,

data security, and recordkeeping. Physical records generally cannot be maintained at remote locations, and consumer interactions at home offices are typically prohibited. In addition, companies must implement strong technology controls, including secure network access, multi-factor authentication, and monitoring systems.

Operationally, lenders must take several proactive steps. These include identifying all remote personnel, updating MU filings to reflect remote designations, and conducting regular compliance reviews. Ongoing training and documented supervision will also be important to withstand regulatory scrutiny for regulators.

The key takeaway is simple: remote work is now a regulated status, not an exception. Private Lenders should be prepared to have their MLO’s update their MU forms in the NMLS and use this as a reminder to review their compliance with their regulator’s remote work requirements. 🌐

Endnotes:

- 1 Cal. Bus. & Prof. code § 10166.01(b) & Cal. Finance Code § 22013(a)
- 2 Cal. Bus. & Prof. code § 10166.01(d) & Cal. Finance Code § 22012(e)

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