

CSBS MODEL PRUDENTIAL STANDARDS vs FHFA/GSE MINIMUM ELIGIBILITY REQUIREMENTS

Test	CSBS Prudential Standards	FHFA Minimum Eligibility Requirements (Effective 9/30/2023 unless otherwise noted)
Minimum Net Worth	Aligned with FHFA, except for sub-servicer exemption (minimum net worth is applicable to sub-servicers under the model state framework)	Base \$2.5 million plus basis point add-on for total 1-4 unit residential mortgage loans serviced, excluding sub-serviced UPB: -Enterprise servicing: 25 bps -Ginnie Mae servicing: 35 bps -PLS & Other servicing: 25 bps
Minimum Capital (Net Worth) Ratio	Aligned with FHFA	Tangible Net Worth / Total Assets is equal to or greater than 6%. Applicable to all Seller/Servicers, including subservicers.
Tangible Net Worth Definition	Aligned with FHFA	Total equity less: -Goodwill and Other Intangible Assets (except MSRs) -Affiliated Receivables and Pledged assets net of associated liabilities -Deferred Tax Assets net of associated Deferred Tax Liabilities -Carrying value of pledged assets
Base Liquidity	Aligned with FHFA for calculations but called "Servicing Liquidity"	Basis point calculation applied to UPB of owned MSRs based on servicing type and advancing requirements: Enterprise servicing - the sum of: -Scheduled/Scheduled: 7 bps -Scheduled/Actual: 7 bps -Actual/Actual: 3.5 bps Ginnie Mae Servicing: 10 bps PLS & Other Servicing: 3.5 bps
Operating Liquidity	"The funds necessary to perform normal business operations, such as payment of rent, salaries, interest expense and other typical expenses associated with operating the entity."	No comparable requirement
Liquidity Buffer	Aligned with FHFA	For nonbanks with \$50 billion or more in owned MSRs - the sum of: Enterprise servicing UPB*2 bps Ginnie Mae servicing UPB*5 bps
Origination Liquidity	Aligned with FHFA	Effective 12/31/2023: 50 bps times (Loans Held for Sale (Lower of Cost or Market plus Fair Value) plus Pipeline loans with IRLC after Fallout adjustments)
Allowable Assets for Minimum Liquidity Test	a) Unrestricted Cash and Cash Equivalents b) Unencumbered investment grade assets held for sale or trade, including Agency MBS, Obligations of GSEs, US Treasury obligations	Sum of: a) Unrestricted Cash and Cash Equivalents b) Available-for-Sale or Held-for-Trading securities: Agency MBS, Obligations of GSEs, US Treasury obligations c) 50% of the unused portion of committed Agency servicing advance lines of credit Less: Pledged portion of eligible liquid asset securities
Third-Party Ratings	Not required	For nonbanks with: \$50 billion or more in owned MSRs (1-4 unit residential): One primary servicer or master servicing rating \$100 billion or more in owned MSRs (1-4 unit residential): One primary servicer or master servicer rating plus one 3rd-party debt rating \$150 billion or more in owned MSRs (1-4 unit residential): One primary servicer or master servicer rating plus two 3rd-party debt ratings