In a comment letter sent today to the Federal Housing Finance Agency (FHFA), CSBS supported FHFA’s proposed updated minimum financial eligibility requirements for Fannie Mae and Freddie Mac Seller/Servicers. The letter also encouraged more formalized information sharing between CSBS and FHFA to ensure consistent and harmonized oversight for mortgage servicers.

FHFA’s proposed requirements would address the rise of nonbanks in the mortgage servicing space, particularly in Ginnie Mae mortgage origination and servicing, which could pose a potential emerging threat to financial stability in the event of the failure of a large nonbank servicer or simultaneous failure of several midsize nonbank servicers.

As the primary supervisors of nonbank institutions, including mortgage servicers, state financial regulators are concerned about these implications. CSBS has been working on baseline nonbank mortgage servicer prudential standards covering capital, liquidity, risk management, data standards, cybersecurity, corporate governance, servicing transfer requirements and change of control. These proposed prudential standards are largely consistent with the FHFA’s financial eligibility requirements for Enterprise Seller/Servicers.

State regulators are in the process of updating standards. While CSBS has appreciated collaborating with FHFA, a more formal information sharing arrangement directly with FHFA would enable more robust collaboration and ultimately enable both CSBS and FHFA to more efficiently and effectively fulfill their respective oversight roles, the letter