Nonbank Mortgage Servicer Prudential Standards

Research, Data & Tools

Overview

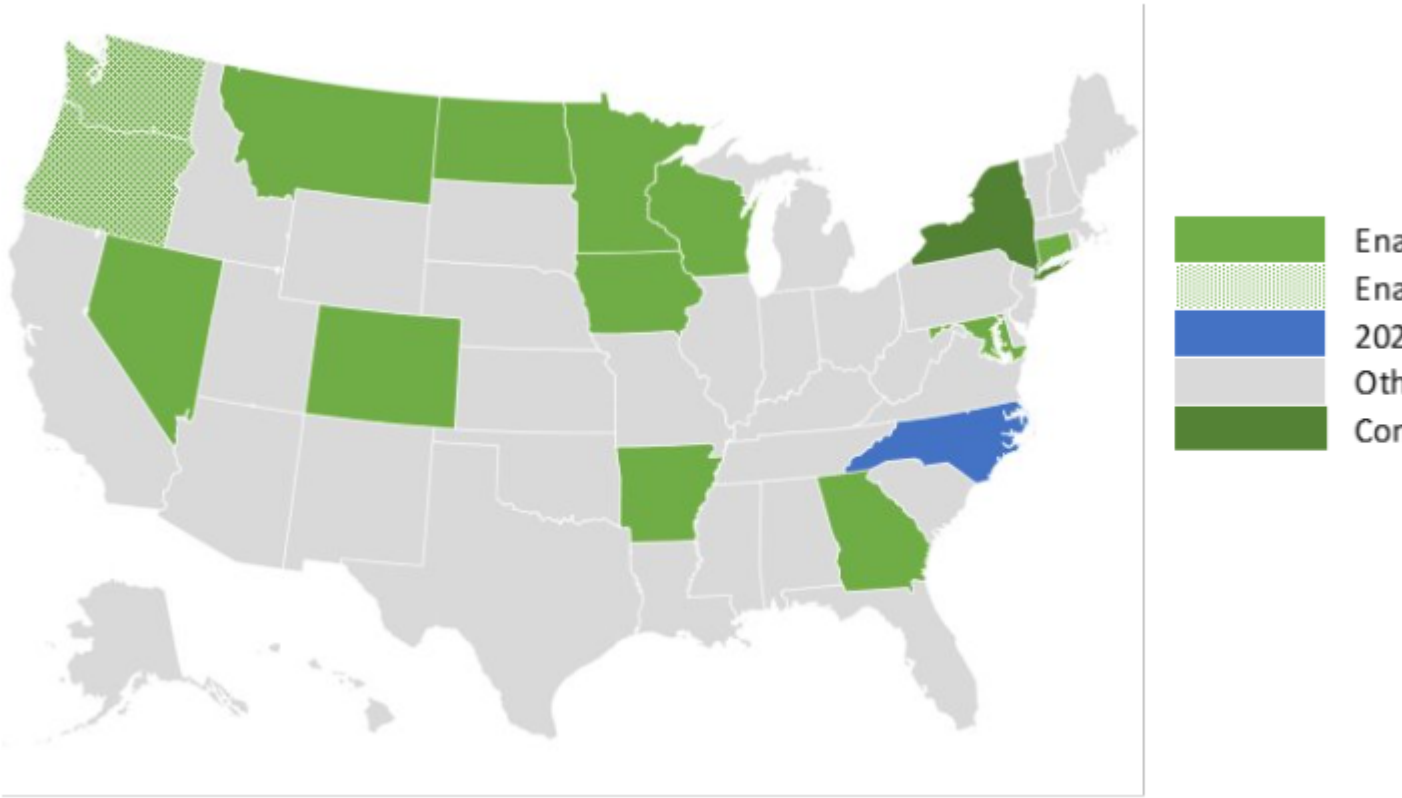
State regulators have recently collaborated on regulatory reforms to harmonize state supervision of nonbank mortgage servicers. The CSBS Board of Directors approved model prudential standards addressing capital, liquidity, and corporate governance (including audit, risk management, and board oversight). The financial condition provisions align with the Federal Housing Finance Agency's Minimum Financial Eligibility Requirements for Seller/Servicers, providing state supervision and enforcement of these common requirements.

Nonbank mortgage companies must be licensed in every state in which they do business. Therefore, only one licensing state need adopt the model prudential standards for the requirements to apply to a company doing business in multiple states. The standards apply to the company. Numerous firms are licensed in more than one state.

Though state adoption of the standards is in its early stages, multistate licensing and supervision amplify their reach. Nonbank mortgage servicers licensed in at least one state that has already adopted the model prudential standards collectively service 99% of the nonbank mortgage market by loan count.

- Model State Regulatory Prudential Standards for Nonbank Mortgage Servicers
- Summary of Prudential Standards

Prudential Standards for Nonbank Mortgage Servicers Adoption Status (Updated 6/23/2025)



Current Prudential Standards for Nonbank Mortgage Servicers Enactments

- State Enacted Prudential Standards Legislation & Regulation

About the standards

As nonbank servicers became responsible for a larger share of consumer mortgages after the financial crisis, state regulators grew concerned about the absence of a common set of state standards addressing servicers' capital and liquidity requirements. State examinations of nonbank servicers also identified inadequate corporate governance and board oversight.

These concerns led state regulators to pursue – and subsequently approve – new standards that will require nonbank mortgage servicers to maintain the financial capacity, governance, and risk management practices to adequately serve consumers and investors and simultaneously enhance market stability.

The requirements contained in the standards are only effective through state implementation. State agencies may use the standards to formulate law, rule, guidance, or procedure under their individual jurisdictional authority or legislative process. The standards specify the importance of consistent adoption to regulate multistate entities and to minimize regulatory burden. To that end, CSBS is working with states to achieve consistent nationwide implementation.

Key highlights of the standards include:

- The standards focus on two main areas: financial condition, i.e., capital and liquidity, and corporate governance, i.e., board of directors, internal and external audits.
- The standards align with existing federal minimum eligibility requirements, wherever practical, to minimize regulatory burden for servicers.
- The standards apply to servicers that service at least 2,000 loans and operate in two or more states and cover both agency and non-agency servicing.
- The standards do not apply to:
    - small servicers that meet a de minimis cutoff
    - not-for-profit mortgage servicers
    - housing agencies

- The standards provide state regulators with flexibility to increase requirements for high-risk servicers or even suspend the requirements in times of economic, societal, or environmental volatility.

CSBS released the standards for public comment on Oct. 1, 2020, receiving comments from 17 organizations, including several industry groups. CSBS considered all comments and made determinations on each issue, which is summarized in the final standards.

Archived public comments

- Executive Summary
- Overview of the Nonbank Mortgage Servicing Industry
- Current Regulatory Environment

- Proposed Prudential Standards for Comment
- Questions to Prompt Public Comment

Comments

Institution	Comments
American Bankers Association	PDF
Alston & Bird	PDF
Community Home Lenders Association	Word
Credit Suisse	PDF
Freedom Mortgage	PDF
Housing Policy Council	PDF
Independent Community Bankers of America	PDF
Manufactured Housing Institute	PDF
Mayer Brown	PDF
Mayer Brown	PDF
Mayer Brown	PDF
Michel, Norbert	Word
Mortgage Bankers Association	PDF
National Consumer Law Center	PDF
Quicken Loans	PDF
Union Home Mortgage	PDF
Urban Institute	PDF
Veterans United	PDF

Contact Information

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