State Financial Regulators Seek Public Comment on Prudential Standards for Nonbank Mortgage Servicers

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Washington, D.C. – The Conference of State Bank Supervisors (CSBS) is seeking public input on proposed regulatory prudential standards for nonbank mortgage servicers, as the state-regulated industry covers an increasing share of this market.

The proposal intends to:

1. Provide better protection for borrowers, investors and other stakeholders in the occurrence of a stress event that could result in harm;
2. Enhance effective regulatory oversight and market discipline over these entities; and
3. Improve transparency, accountability, risk management and corporate governance standards.


“With nonbank mortgage servicing now comprising more than 50% of the agency market, it’s critical that states have a common standard for assessing these entities’ safety and soundness and corporate governance,” said CSBS President and CEO John W. Ryan. “We look forward to receiving industry and stakeholder input as we craft final standards that enable robust oversight that balances consumer protection, prudential regulation and market viability.”

The main components of the proposal are:

- A “scaled” approach to covered institutions, with Enhanced Standards applied to
“Complex Servicers” that are generally considered to have a higher risk profile.

- Alignment with existing and proposed federal standards to the greatest extent possible to avoid duplicative efforts and reduce regulatory burden on institutions.
- Baseline Standards that cover eight areas, including capital, liquidity, risk management, data standards and integrity, data protection (including cyber risk), corporate governance, servicing transfer requirements and change of control requirements.
- Enhanced Standards that apply additional coverage for capital and liquidity, plus requirements for stress testing and living will and recovery and resolution plans.

More information on the proposal is available here or by going to www.csbs.org and searching for Prudential Standards.

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