The Examiner

Nov 13, 2020

"Life is not a matter of holding good cards, but of playing a poor hand well."
— Robert Louis Stevenson, author of "The Strange Case of Dr. Jekyll and Mr. Hyde," born this day in 1850

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Podcast - One Company, One Exam for Mortgage Companies - The Future of Mortgage Supervision

Guests:

Anthony Polidori – Idaho Deputy Director and Chair-Elect of the Multistate Mortgage Committee
Kirstin Anderson – Oregon Director and President of the American Association of Residential Mortgage Regulators

Timestamps:

- 3:28 - Current Challenges Supervising Mortgage Companies in Multiple States
- 6:18 - Specific Pain Points for Multi-State Exams
- 7:57 - Introducing One Company, One Exam Pilot for Mortgage Companies

- 10:35 - Options for States in One Company, One Exam
- 12:55 - How the State Examination System Makes Multi-State Exams Better for Everyone
- 16:04 - How Can You Know States Won't Conduct Another Exam on Their Own?
- 18:21 - How Comprehensive is This One Exam?
- 21:19 - Timeline for Pilot and One Company, One Exam for Mortgage Companies
- 23:18 - The Future of One Company, One Exam
- 25:28 - The Future of Collaboration Between States (Networked Supervision)

Intro:

Over the last few episodes, we've been talking about this strategy state supervisors use to approach the rapid change of the financial system.

That strategy is called "Networked Supervision," and it has a lot of different parts to it. There's the technology aspect with state-of-the-art licensing and monitoring tools; the collaboration aspect, where states share information; and the "streamlining" aspect, where regulators make the process better for companies and more impactful for consumers.

But really, "Networked Supervision" comes down to three core concepts:

- Making the process of getting a financial business started faster, more straightforward and safer for the company and consumer;
- Making the process of examining those businesses faster, more straightforward and more useful for all parties;
- And providing regulators with state-of-the-art monitoring tools that permit them to see real-time what's going on as broad as the financial system as a whole or as granular as a single institution or, sometimes, even a single business transaction.

The result of all this is a world where state examiners can fulfill their mandates of protecting consumers and ensuring local economic growth, where companies can spend less time on compliance and focus on serving their customers, and customers can rely on their regulator to be watching out for them and their money in a rapidly-changing, tech-driven world.

Today, we are continuing our focus on point #2 of networked supervision: making the examination of businesses better. And we are continuing a discussion on a concept known as "One Company, One Exam," where large companies operating across the nation could see fewer exams as more states team up to conduct them.

But, while we talked about money transmission last time, today we are talking about mortgages. And we're really fortunate; we'll be talking to two expert examiners who have both been in the business for more than 20 years about what's changed in mortgage supervision and what "One Company, One Exam" will mean for them.

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State Regulators Advise Licensees to Renew by November 30

State regulators encourage individuals and businesses that provide mortgage, money transmission, debt collection and consumer financial services to renew their licenses in the Nationwide Multistate Licensing System (NMLS) by November 30 to avoid processing delays.

"We're encouraging licensees to submit early this year because of the operational challenges that businesses and states are facing due to the pandemic," said Kelly O'Sullivan, chair of the NMLS Policy Committee and deputy commissioner of the Montana Division of Banking and Financial Institutions. "We want to make sure that licensees renew on time so that individuals and businesses can operate uninterrupted in the new year."

States are also increasing their use of NMLS features that free-up agency resources to focus on complex cases that require additional review, including more electronic documentation collection in NMLS.

More than 180,000 mortgage loan originators (MLOs) and companies are licensed to conduct business, accounting for more than 618,700 state licenses to be renewed. MLOs must also have completed annual continuing education requirements.

Renewals in most states run November 1 to December 31.

"Licensees submitting renewal requests in November gives states enough time to process the renewal and individuals the opportunity to resolve any issues that may arise. Early renewal applications are far more likely to be approved in time to keep doing business on January 1," O'Sullivan continued.

NMLS offers free, online courses and state-specific checklists to guide licensees through the process by going to **www.nmls.org** and clicking the green Annual Renewal button.

Federally registered MLOs and institutions must also renew their registrations via NMLS by December 31. More information for federal registrants is available on the NMLS Federal Registry Resources page.

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Ransomware Self-Assessment Tool

With the **recent ransomware attacks on U.S. hospitals**, the threat cyber crime poses to our nation’s networks is once again at the top of state regulators' minds. While financial institutions have implemented good cybersecurity practices, the rapid advancements in ransomware and its potentially devastating consequences require that every financial institution review and update its controls.

The Ransomware Self-Assessment Tool (R-SAT) has 16 questions designed to help financial institutions reduce the risks of ransomware. The Bankers Electronic Crimes Taskforce (BECTF), State Bank Regulators and the United States Secret Service developed this tool. It was developed to help financial institutions assess their efforts to mitigate risks associated with ransomware and identify gaps for increasing security. This document provides executive management and the board of directors with an overview of the institution’s preparedness towards identifying, protecting, detecting, responding, and recovering from a ransomware attack.

- Ransomware Self-Assessment Tool
- Cover Letter - Ransomware Preparedness Minimizing the Risk of Total Loss of Records
- 2017 BECTF/CSBS/USSS Ransomware Best Practices
- Press Release

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

CSBS reminds the public that it is currently seeking input on proposed regulatory prudential standards for nonbank mortgage servicers, an industry where the share of companies regulated by the states has expanded in recent years.

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.

The public comment period began on Oct. 1, 2020, and will close on Dec. 31, 2020.

“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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