CSBS Statement on FSOC Nonbank Mortgage Servicing Report

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Washington, D.C. – Today, the Financial Stability Oversight Council (FSOC) released a report on nonbank mortgage servicing, including far-reaching recommendations with potentially significant consequences for the United States mortgage market and American home buyers. The Conference of State Bank Supervisors (CSBS) applauds the leadership of New York State Department of Financial Services Superintendent Adrienne Harris, the state representative on the FSOC.

As the primary regulator of nonbank mortgage firms, the states are committed to a responsible, efficient, and financially sound mortgage market. State supervisors and CSBS will carefully and thoughtfully consider the recommendations of the FSOC, including the possible addition of recovery and resolution planning requirements for nonbank mortgage firms.

Brandon Milhorn, CSBS President and CEO, released the following initial statement on the report recommendations:

“As the primary regulators of the nonbank mortgage market, the states have been working together for decades to improve financial stability and consumer protection.

The FSOC‘s recommendation to establish a nonbank-financed liquidity fund, administered by a newly authorized federal regulator, is premature at best. Before considering any such proposal, Congress should require substantially more research and analysis regarding the potentially dramatic, unintended consequences of this recommendation. I am concerned that this recommendation could negatively impact the nonbank mortgage market, particularly for low- and moderate-income borrowers, communities of color, first-time homebuyers, and veterans.

Instead, federal agencies, Ginnie Mae, and Congress should focus their immediate efforts on targeted structural changes included in the FSOC report. I encourage Congress to remove any legal impediments to information sharing between Ginnie Mae and state regulators. This common-sense reform should be taken long before Congress considers establishing a federal regulatory agency that unnecessarily duplicates existing state authority.

The adoption of FSOC recommendations to modernize the Ginnie Mae program and contractual requirements for counterparties could also minimize risk and promote more efficient and flexible market function, including in times of stress.

CSBS and our members look forward to continued collaboration with our federal partners to pursue a common purpose: a mortgage market that makes homeownership an attainable goal for Americans."

Attachment: Nonbank Mortgage Regulation - Misconceptions & Background

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The Conference of State Bank Supervisors (CSBS) is the national organization of financial regulators from all 50 states, American Samoa, District of Columbia, Guam, Puerto Rico, and U.S. Virgin Islands. State regulators supervise 79% of all U.S. banks and a variety of non-depository financial services. CSBS, on behalf of state regulators, also operates the Nationwide Multistate Licensing System to license and register non-depository financial service providers in the mortgage, money services businesses, consumer finance and debt industries.

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