CSBS

2025

Annual Report

Conference of State Bank Supervisors

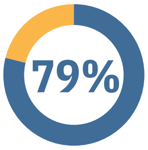
About CSBS

The Conference of State Bank Supervisors (CSBS) is the nationwide professional organization of financial regulators from all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. CSBS advocates for the dual banking system and provides states with critical infrastructure for fostering innovative, responsive supervision. This infrastructure includes:

- A governance structure and forum for addressing shared challenges and enhancing regulatory coordination;
- Technology tools and platforms that help states coordinate and streamline licensing and supervision; and,
- Professional development and training to strengthen the state system workforce.

On behalf of state regulators, CSBS owns and operates the Nationwide Multistate Licensing System & Registry® (NMLS).

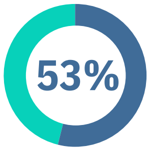
About the State System of Financial Regulation



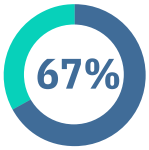
of all U.S. banks are chartered and supervised by state regulators, representing more than **3,472 banks** with aggregate assets over **$8.38 trillion**.

State-chartered banks range from small, local banks to global financial institutions.

When looking at the United States banking system, state-chartered banks represent approximately **33% of industry assets** yet provide:



of all small loans to businesses



of commercial bank agriculture lending

State regulators are the licensing authority for and primary regulators of consumer-facing nonbank financial services companies (notably, mortgage originators and servicers, money services businesses, consumer finance lenders, and debt companies). In 2025:

- NMLS maintained the licenses or registrations of the more than 549,294 mortgage loan originators operating in the United States. During 2025, state-licensed mortgage companies:
  - Originated $1.2 trillion in loans (61% of mortgage originations in the United States); and,
  - Serviced $10.9 trillion in loans (47% of mortgage servicing in the United States).
- State-licensed money services businesses handled $10 trillion in payments for U.S. consumers.

Letter from the President and CEO

In a year of significant policy change in Washington, CSBS remained a strong and consistent advocate for state regulators — advancing a tailored, resilient policy and supervisory framework that supports a dynamic U.S. financial system.

In 2025, we delivered results for our members across all our strategic priorities. We strengthened core technology platforms that support efficient licensing and examination, expanded examiner training to maintain excellence in the state workforce, enhanced data and analytics to improve state supervisors' risk management capabilities, and elevated our policy and advocacy efforts to advance state regulation and the dual banking system.

As our financial system evolves, CSBS continues to pursue innovation that advances state regulatory and supervisory capabilities. We completed two phases of our NMLS Modernization road map — improvements that streamlined the licensing process. We added new features to NMLS's supervisory component, the State Examination System, to increase state regulator usage and enhance the exam experience for regulated entities. And, we also launched the Catalyst Initiative to apply new technology to supervisory challenges.

Our advocacy has had a meaningful impact. At the federal level, we promoted a tailored regulatory environment that provides a durable framework for financial institutions and supports financial stability and consumer protection. CSBS also advanced the state system's perspective in key federal policy debates, including those related to digital assets. At the state level, we saw new adoptions of CSBS model laws, with five states adopting the Money Transmission Modernization Act, five establishing prudential standards for mortgage servicers, and five enacting the data security model law.

We also matured CSBS internally by enhancing enterprise risk management and fostering a high-performing, mission-driven culture.

I am proud of what we accomplished together in 2025 to strengthen the state system. A competitive, innovative, and resilient financial system depends on strong state supervision and a vibrant dual banking system.

Together, we will continue to advance both in the years ahead.

Brandon Milhorn

Networked Supervision

State financial supervisors continued to strengthen a durable and coordinated supervisory framework in 2025 by advancing common standards, shared technology, and multistate coordination while preserving the independence and authority of each state.
These state efforts helped enhance oversight, streamline supervision, and improve risk detection and management.

The CSBS Strategic Plan captures this ongoing effort:

VISION

Promote a dynamic, competitive, and innovative banking and financial services ecosystem through state leadership that advances the quality and effectiveness of policy, supervision, and consumer protection.

OBJECTIVE

Advance Networked Supervision through bold advocacy and policy development, innovative technology platforms, and best-in-class workforce development training and tools.

Advocacy

While 2025 ushered in a new Administration and Congress, CSBS remained steadfast in its support for appropriately tailored regulation for state-chartered institutions and its advocacy for state authority in the licensing and supervision of nonbank institutions.

Arkansas State Bank Commissioner Susannah Marshall with House Financial Services Committee Chairman French Hill (R-AR). Commissioner Marshall testified before the Committee for the hearing entitled, “Make Community Banking Great Again.”

Supporting Tailored Regulations for Community Banks

CSBS’s longstanding support for tailored regulation for community banks gained renewed momentum in 2025. The change of Administration, the appointment of a former state bank commissioner and community banker as Vice Chair for Supervision at the Federal Reserve, and broad support for tailoring regulations from new agency leadership at the Treasury Department, Federal Deposit Insurance Corp. (FDIC), and Office of the Comptroller of the Currency (OCC) created a new sense of urgency to reform unnecessarily burdensome federal regulatory and supervisory practices. Congress and the Administration, recognizing the state system’s longstanding advocacy in this area, sought out the supervisory expertise and experience of state leaders. Arkansas Commissioner Susannah Marshall testified in February before a House Financial Services Committee hearing entitled, “Make Community Banking Great Again,” and North Dakota Commissioner and Financial Stability Oversight Council (FSOC) state banking representative Lise Kruse addressed the Council on regulatory “right-sizing.”

U.S. Treasury Secretary Scott Bessent sat down with CSBS President and CEO Brandon Milhorn at the CSBS Government Relations Fly-In.

As the new Administration took office, we clearly articulated our vision of a dynamic, competitive, and innovative financial system, providing concrete recommendations in a series of "Day One" letters to the federal banking agencies.

Our recommendations led to several changes, including the reversal of harmful federal initiatives such as the CFPB's nonbank registry, the FDIC's corporate governance and merger and acquisition rules, and the Basel III endgame capital framework. The FDIC also adjusted or proposed sensible updates to several regulatory and supervisory thresholds, including increases to the thresholds for annual independent audit and reporting requirements and the Continuous Exam Program. In response to CSBS advocacy, the FDIC restored authority to regional offices, minimizing delays caused by centralized decision-making in Washington, and streamlining the process for a bank to establish a branch or relocate a main office or branch.

Preventing Federal Preemption

Following passage of the GENIUS Act and an influx of OCC trust charter applications, CSBS raised concerns with a potentially unlawful expansion of the National Bank Act that would authorize national trusts to engage in bank-like activities, including deposit taking, lending, and payments. Several banking associations joined us in articulating these concerns and calling for increased transparency regarding the proposed business models of these national trust applicants.

We continued to hold the OCC accountable to the limitations of its preemption authority established by Congress and affirmed by the Supreme Court in *Cantero v. Bank of America.* CSBS filed amicus briefs supporting the appropriately high standard for federal preemption of state banking laws in *Conti v. Citizens' Bank, N.A.*, and *Kivett v. Flagstar Bank, FSB,* in the First and Ninth Circuits, respectively.

While Congress moved quickly on digital asset legislation, CSBS advocated for a competitive, innovative, and responsible national regulatory framework. With the support of our members, state banking and legislative associations, and consumer groups, CSBS secured critical amendments to the GENIUS Act that limited the authorized activities of payment stablecoin issuers, strengthened parity between state and federal regimes, and preserved state authority to apply consumer protection laws to payment stablecoin issuers.

We closed the year working closely with Treasury and the federal banking agencies on regulatory implementation of the GENIUS Act, ensuring that federal regulation protects our financial system and maintains competitive state and federal regulatory and supervisory options.

We continue to support our members as they consider establishing their own GENIUS Act-compliant state stablecoin regimes and think through the implications of stablecoin adoption for their supervisory processes and regulated entities.

State Regulation and Interagency Engagement

CSBS supports state-federal coordination across a range of supervisory and regulatory structures and workstreams. State financial regulators are integrated into several formal interagency councils and committees:

Financial Stability Oversight Council:
This body, chaired by the Treasury Secretary and tasked with monitoring risks to the U.S. financial system's stability, includes a member representing state banking regulators:

- North Dakota Department of Financial Institutions Commissioner **Lise Kruse**

Federal Financial Institutions Examination Council:
This group of federal and state financial regulators is charged with setting examination standards for certain financial institutions. State regulators have a voting role in this body and are represented by the five-member State Liaison Committee:

- Texas Department of Banking Commissioner **Charles G. Cooper**, Chair
- Michigan Department of Insurance and Financial Services Senior Deputy Director **Aaron Luetzow**
- New York Department of Financial Services Senior Deputy Superintendent **Polly Klyce Pennoyer**
- North Carolina Office of the Commissioner of Banks **Katherine M.R. Bosken**
- Tennessee Department of Financial Institutions Commissioner **Greg Gonzales**

Financial and Banking Information Infrastructure Committee:
The Treasury Department coordinates this body of federal and state regulators charged with improving coordination and communication among financial regulators, promoting public-private financial sector partnerships, and enhancing the resiliency of the financial sector.

- Texas Department of Banking Commissioner **Charles G. Cooper**, CSBS Principal
- Ohio Division of Financial Institutions Superintendent **Kevin Allard**, American Council of State Savings Supervisors Principal (through March 2026)
- Tennessee Department of Financial Institutions Commissioner **Greg Gonzales**, American Council of State Savings Supervisors (June 2026-current)

Interagency Supervisory Processes Committee:
State, Federal Reserve, and FDIC bank regulators meet quarterly to discuss coordination and collaboration on supervisory matters and examination tools.

- Indiana Department of Financial Institutions Deputy Director **Christopher Dietz**
- Georgia Department of Banking and Finance Deputy Commissioner for Supervision **Melissa Sneed**
- Iowa Division of Banking Bank Bureau Chief **Shauna Shields**
- West Virginia Division of Financial Institutions Commissioner **Dawn Holstein**

Stakeholder Partnerships

CSBS partnership initiatives connect state regulators with their federal counterparts as well as industry and consumer groups, enhancing collaboration and communication to improve supervisory practices.

Every year, CSBS and state regulators invite federal financial regulators to convene at the State Federal Supervisory Forum (SFSF). The event provides a forum for senior officials from state and federal regulatory agencies to discuss current and emerging supervisory and regulatory issues affecting the financial services industry.

In 2025, SFSF attendees gathered at National Landing in Northern Virginia. Highlights included fireside chats with FDIC Chairman Travis Hill and Federal Reserve Bank of Richmond President Tom Barkin. Attendees heard updates on the state of community banking, bank supervision and regulation, and discussed how to assess artificial intelligence models.

CSBS Chair Tony Salazar interviews FDIC Chairman Travis Hill at the State Federal Supervisory Forum.

Federal Reserve Bank of Richmond President and CEO Tom Barkin chats with CSBS President and CEO Brandon Milhorn at the State Federal Supervisory Forum.

CSBS frequently works with other organizations to support the state system, including the American Association of Residential Mortgage Regulators, Money Transmitter Regulators Association, National Association of Consumer Credit Administrators, and North American Collection Agency Regulatory Association. In recognition of National Consumer Protection Week, CSBS Board members met in March with national consumer advocacy organizations to discuss CSBS priorities, consumer protection, and financial access.

Cybersecurity continued to be a top concern for state-chartered banks and our members. We collaborated with our federal partners to address bankers' concerns regarding the sunset of the FFIEC's Cyber Assessment Tool and suggested alternative resources, participating in two "Ask the Fed" webinars. Working with the states, CSBS also initiated a "Cyber Hygiene Awareness" campaign, featuring fact sheets and board questions designed to encourage comprehensive and consistent application of existing cyber hygiene principles at financial institutions. In December, we released a consolidated document that included all these resources, along with an expanded discussion of the current threat environment.

Left: Washington State Financial Institutions Director Charlie Clark hands the CSBS Board Chair gavel to Maryland Financial Regulation Commissioner Tony Salazar at the CSBS Annual Meeting.

Right: CSBS Chair Tony Salazar, CSBS President and CEO Brandon Milhorn, and CSBS staff hosted a consumer advocacy roundtable to discuss current and emerging consumer protection issues.

Community Banking

Promoting the Value of Community Banks

Community banks comprise 92% of state-chartered banks and play a vital role in local economies. CSBS conducts and promotes research to support community banking and deepen understanding of the opportunities and challenges facing community bankers.

Community Banking Research Conference

CSBS, the Federal Reserve System, and the FDIC co-sponsor the annual Community Banking Research Conference. Held at the Federal Reserve Bank of St. Louis, the conference provides for a unique collaboration among academic researchers, community banking executives, and bank supervisors through rigorous research, open dialogue, and thoughtful policy discussion.

The CSBS Annual Survey of Community Banks is released at the Community Banking Research Conference.

In his keynote address at the 13th annual conference, CSBS President and CEO Brandon Milhorn cautioned that poorly tailored federal regulation and supervisory creep disproportionately burden community banks, driving consolidation and pushing innovation outside the banking system. He emphasized a durable and stable supervisory environment that preserved appropriate examiner discretion. He also warned that without timely federal guidance—particularly on tokenized deposits—community banks risk losing deposits and lending capacity as technology changes the financial system.

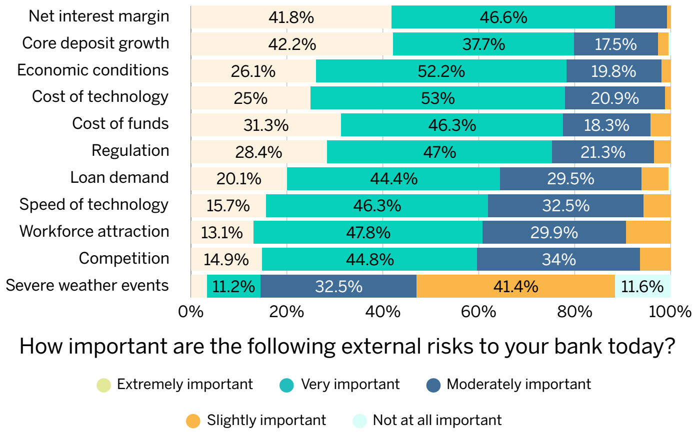
Beyond the policy and research discussions, the conference also features the following annual initiatives:

Emerging Scholars Program

Each year, three Ph.D. students working on banking-related research are selected for the Emerging Scholars Program. CSBS sponsors their attendance at the conference as honorees, where they share their research and interact with researchers, community bankers, and state and federal bank supervisors. The 2025 Community Banking Research Conference Emerging Scholars are:

- Gene Kang from the Haas School of Business at UC Berkeley,
- Anthony Waikel from the University of Georgia, and
- Ruinan Liu from McMaster University.

2026 CSBS Annual Survey of Community Banks



How important are the following external risks to your bank today?

Results of the CSBS Annual Survey of Community Banks, which captures the views of banks with less than $10 billion in total assets, are released annually at the conference. The 2025 results showed that internal concerns remained steady, while external threats shifted dramatically. Net interest margins ranked as the top external risk, followed by core deposit growth, economic conditions, the cost of technology, and the cost of funds. Regulatory burden, which had been a top concern for community bankers for years, fell to the sixth highest external concern. Cybersecurity remained the top internal risk, surpassing all other risks — external and internal — by a healthy margin. Technology implementation and related costs ranked second, while credit replaced liquidity in the third spot.

CSBS Community Bank Case Study Competition

In 2025, the CSBS Community Bank Case Study Competition focused on the impact of interest rates and inflation on the business of banking, with student teams examining strategies for the future, including branch strategy, technology, and compliance.

The competition engages university students with community banking by pairing teams with local banks to analyze a selected topic each year. The top three teams receive monetary awards and have their work published in the *CSBS Journal of Community Bank Case Studies.* The first-place team presents its findings at the Community Banking Research Conference.

The 2025 Community Bank Case Study winning teams are:

The winning CSBS Community Bank Case Study team from the University of Tennessee at Martin joins CSBS Chair Elect Rhoshunda Kelly and CSBS President and CEO Brandon Milhorn at the Community Banking Research Conference in St. Louis.

FIRST PLACE
The University of Tennessee at Martin

- Student Team: Aaron Bartholomew, Anna Batte, Makenzi Bouras, Blair James, and Hayden Weber
- Faculty Advisors: Mr. John Clark, Dr. Brittany Cole, and Dr. Nell Gullett
- Partner bank: Carroll Bank and Trust of Huntingdon, Tenn.

SECOND PLACE
University of Arkansas

- Student Team: Bryson Austin, Jack Green, Aubrey Kapales, Emma Moyer, and Ian Popp
- Faculty Advisor: Dr. Tim Yeager
- Partner bank: United Bank of Springdale, Ark.

THIRD PLACE
Illinois State University

- Student Team: Mohammed Karim Mrani Alaoui, Garrett Allar, Vince Baldassari, and Luke Biondi
- Faculty Advisor: Dr. Vladimir Kotomin
- Partner bank: Heartland Bank and Trust Company in Bloomington, Ill.

John W. Ryan Award for Most Significant Contribution to Community Banking Research

CSBS President and CEO Brandon Milhorn congratulates Stephan Luck, one of the authors of the paper "Supervising Failing Banks," which was awarded the John W. Ryan Award for Most Significant Contribution to Community Banking.

In 2025, the John W. Ryan Award for Most Significant Contribution to Community Banking Research was awarded to "Supervising Failing Banks." The paper found that supervisors anticipate most bank failures with a high degree of accuracy and showed that timely supervisory action can hasten the closure of troubled banks, reducing the cost of failures.

The paper's authors are Sergio Correia (Federal Reserve Bank of Richmond), Stephan Luck (Federal Reserve Bank of New York), and Emil Verner (MIT Sloan School of Management and the National Bureau of Economic Research).

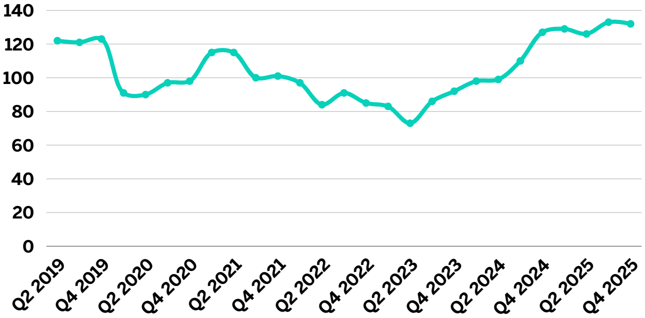
Named in honor of former CSBS President and CEO John W. Ryan, the award recognizes research that advances the understanding of community banking and supports more informed policy decisions.

Community Bank Sentiment Index

CSBS polls community bank leaders across the nation quarterly to get their thoughts on future economic conditions in seven areas for the Community Bank Sentiment Index (CBSI). Their answers are analyzed and compiled into a single number, with 100 being neutral. Quarterly results are shared with the Federal Reserve and included in Federal Reserve Economic Data, the online database maintained by the Federal Reserve Bank of St. Louis, and widely used by economists, policymakers, researchers, and other public stakeholders.

In 2025, community bankers continued to signal an optimistic outlook. Overall community banker sentiment was between 126 and 133. The indicators assess future economic conditions, capital spending and expansion plans, the regulatory environment, and changes in expectations regarding bank profitability and franchise values. Community bankers' optimistic outlook was buoyed mainly by expectations that the regulatory environment would become less burdensome, and that profitability and franchise values would improve as net interest margins widened. However, community bankers continued to express concern over future business conditions. It was the only indicator that was consistently below 100 throughout 2025, with quarterly readings ranging from 86 to 99 by year end.

CSBS Community Bank Sentiment Index near its all-time high



Banker Outreach

CSBS and our state regulatory members regularly gather critical feedback on issues affecting state-chartered banks and the broader financial services industry through our Bankers Advisory Board and Bank Membership Program.

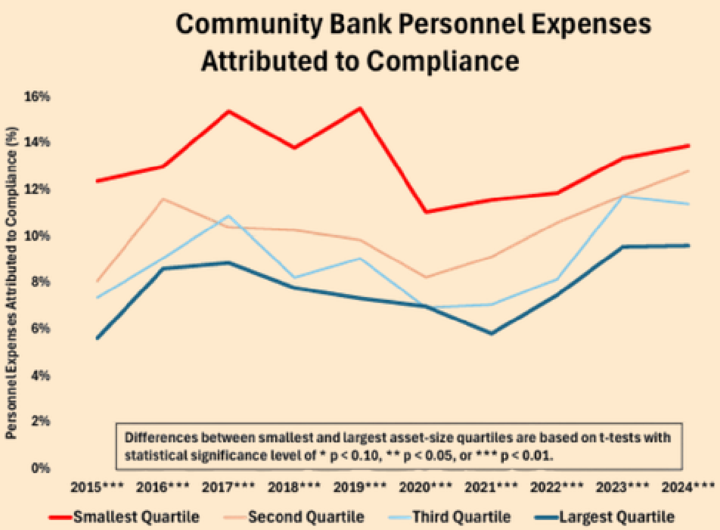
Bank Membership

More than 700 state-chartered banks nationwide participate in the CSBS Bank Membership Program. By joining the program, banks demonstrate their commitment to the dual banking system, share their perspectives with CSBS leadership, and gain timely policy insights and tools that support safe, sound, and effective bank operations.

Bankers Advisory Board

The CSBS Bankers Advisory Board meets three times per year and provides industry perspective on current issues to the CSBS Board of Directors. Members are recommended by their home state commissioners and appointed by the CSBS Chair.

Data from 10 years of CSBS Annual Survey Shows Heavy Reg Burden on Community Banks



In his 2025 paper, "Do Banking Regulations Disproportionately Impact Smaller Community Banks," CSBS Chief Economist Tom Siems reviewed 10 years of data from the CSBS Annual Survey of Community Banks (2015–2024) and confirmed that regulatory compliance costs are a disproportionate and growing burden on the smallest community banks. Small community banks devote roughly twice the share of operating expenses to compliance as larger peers, with particularly stark gaps in personnel, data processing, accounting, and consulting costs. This structural imbalance strains already limited economies of scale, accelerates consolidation, discourages new bank formation, and has the potential to erode access to local credit in rural and small communities. The evidence supports proportional regulation—aligning supervisory intensity with institutional risk profiles—to preserve consumer protections and financial stability while preventing the unintended consequence of regulating community banks out of existence.

NMLS & SES

Nonbank Licensing and Examination

CSBS, on behalf of state regulators, owns and operates the Nationwide Multistate Licensing System & Registry® (NMLS), a licensing, registration, and supervisory platform that brings regulatory efficiency and accountability to the mortgage, money transmission, consumer finance, and debt collection industries. Its supervisory component, the State Examination System® (SES), harmonizes and automates supervisory processes, streamlining the examination process for financial institutions.

NMLS

NMLS is the system of record for non-depository financial services licensing or registration in participating state agencies, including the District of Columbia and U.S. territories of Puerto Rico, the U.S. Virgin Islands, and Guam. In these jurisdictions, NMLS is the official system for companies and individuals seeking to apply for, amend, renew, or surrender financial services licenses managed by 67 state or territorial regulators. NMLS itself does not grant or deny licenses.

State-licensed mortgage loan originators must complete a minimum of 20 hours of pre-licensure education and eight hours of annual continuing education, pass a licensing test, and demonstrate character and financial fitness through a credit report and FBI criminal background check — all managed and tracked through NMLS.

While state regulators launched NMLS in 2008 to improve and track licensing regulation, it has become a broad platform for improved safety, soundness, and consumer protection across a range of consumer financial services, including debt, consumer finance, and multiple other financial services industries.

NMLS is also the system of record for the registration of depositories, subsidiaries of depositories, and mortgage loan originators under the Consumer Financial Protection Bureau's Regulation G (SAFE Mortgage Licensing Act – Federal Registration of Residential Mortgage Loan Originators).

In 2025, CSBS completed phase two of a six-phase NMLS modernization program to enhance the system and improve the user experience. Streamlined mortgage loan originator workflows have improved system usability for more than 190,000 users. In addition, 24,000 users with multiple accounts consolidated to one login.

State Regulatory Registry Board of Managers Chair Kevin Hagler addresses attendees at the NMLS Annual Conference & Training.

Further modernization benefits included a 94% reduction in calls to the NMLS Call Center from NMLS users requesting password resets. All entitlement-related calls (which include password reset requests and other NMLS account inquiries) decreased by 56%, and the overall call volume decreased by 9%.

Updates to the NMLS Connect homepage, a new component of NMLS, and substantial improvements to the NMLS Resource Center have also improved the overall NMLS user experience. Successful implementation of Identity Verification processes within NMLS will help protect highly sensitive data in the system, in addition to meeting FBI requirements for access to criminal history information.

In 2025, more than 550,000 individuals were licensed or registered through NMLS, more than 34,700 companies held a state license, and another 7,500 companies held a federal registration. The licenses are held by firms engaged in any of the 98 state-licensed nonbank financial activities, including mortgage, mortgage servicing, money services, consumer finance, and debt collection.

CSBS provides extensive support for the companies, individuals, and regulators that use NMLS through training and a user-support call center. In 2025, more than 850 attendees gathered in Atlanta for the NMLS Annual Conference & Training, convening state regulators and industry users to discuss system operations, share best practices, and engage on issues affecting the nonbank financial services sector.

The NMLS's independent Ombudsman serves as a neutral, independent resource to resolve issues and improve how the system operates. The Ombudsman hosted two annual public meetings in 2025 and responded to ad hoc requests throughout the year.

In 2025, more than six million people visited NMLS Consumer Access. The website allows the public to view regulatory actions taken against licensed companies and individuals by state regulators and the CFPB.

The State Examination System

SES enables multiple states to conduct a single, comprehensive exam of a licensed company. Institutions work with one point of contact and experience fewer single-state exams. In turn, state regulators can deploy supervisory resources more efficiently, access institution-level data from the system, review exams from other state regulators, and help determine if institutions are meeting supervisory expectations across multiple states. To date, state regulators have conducted nearly 9,000 supervisory activities through the system, and this number continues to increase.

States can also track and manage complaints they receive related to their supervised companies through the SES consumer complaints feature. To date, 25 state agencies have managed 8,700 consumer complaints through the system.

More than 850 attendees gathered in Atlanta for the NMLS Annual Conference and Training.

CSBS is continually enhancing SES with feedback from state agency staff. In 2025, we added both a workflow for MSB examiners and a critical two-way communication function between agencies and companies to support exams. We also held two in-person workshops with state agency examination teams to refine future SES development goals, including document editing capabilities, an automatically generated report of exams, enforcement action workflows, and "smart scheduling."

SES capabilities include:

- The ability to accept or leverage exams from other state agencies, instead of conducting a separate exam
- A library of exam programs and materials
- Collaborative exam scheduling
- Multistate exams

Model Laws

Modernizing Nonbank Supervision

State financial regulators streamline the licensing and supervision of consumer-facing nonbank financial services companies operating in multiple states through the adoption of common laws and coordinated supervisory processes.

CSBS Model Laws

Money Transmission Modernization Act

The Money Transmission Modernization Act (MTMA) creates a single set of nationwide standards, including net worth (capital), surety bond, and permissible investments (liquidity) requirements, to modernize the supervision and regulation of money transmitters.

Five states enacted the MTMA in 2025, bringing the total to 27. Money transmitters licensed in at least one state that has already adopted the MTMA collectively account for 99% of reported money transmission activity.

To support consistent application of the law, CSBS, in coordination with the Money Transmitter Regulators Association in June 2025, issued the first MTMA implementation guidance, covering the treatment of virtual currency for purposes of calculating a licensee's tangible net worth.

Prudential Standards for Nonbank Mortgage Servicers

State adoption of the Nonbank Mortgage Servicer Prudential Standards continued to expand in 2025, with five additional states adopting the framework—bringing the total to 12.

The Prudential Standards establish a common framework for financial capacity, governance, and risk management. States that adopt the standards use them to inform rules, guidance, and examination practices through legislative and supervisory authority.

Collectively, these states now oversee companies that manage 99% of the nonbank mortgage servicing market by loan count, significantly advancing a more consistent and comprehensive supervisory approach across the system.

CSBS also made progress in standardizing the mortgage examination process. In coordination with the Minnesota Department of Commerce, new prudential standards exam procedures were released to the Prudential Standards Implementation Working Group and integrated into the SES. These procedures, paired with standardized information requests and existing residential mortgage work programs, move the system closer to a more uniform exam experience for the mortgage industry.

Nonbank Model Data Security Law

The CSBS Nonbank Model Data Security Law establishes a robust framework to provide nonbanks with the necessary measures to mitigate cyber threats, prevent data breaches, and uphold the integrity of the financial system.

The law is aligned with the Federal Trade Commission's Safeguards Rule to make implementation easier for financial institutions.

Twelve states have adopted the CSBS Nonbank Model Data Security Law or similar language, including five in 2025.

One Company, One Exam

The One Company, One Exam program, also known as OCOE, enables multiple states to collaboratively examine companies, replacing the traditional siloed approach of multiple states separately conducting exams. OCOE reduces the regulatory burden of the companies being examined and produces efficiencies for state supervisors. State financial supervisors can participate in a multistate exam, accept its results entirely, or leverage the results with limited additional requirements.

The OCOE program for MSBs has reduced the number of duplicative, or repeat, exams for MSBs operating in 40 or more states from more than 40% of all exams to only 5%. In 2025, states conducted 85 of these coordinated MSB examinations.

The OCOE program for mortgage, launched in 2023, streamlines the multistate examination process by using SES and standardized mortgage work programs.

Multistate MSB Licensing Agreement

States standardize the licensing process for new MSB companies through the Multistate MSB Licensing Agreement. Thirty-one states participated in the agreement in 2025: California-DFPI, Connecticut, Georgia, Idaho, Illinois, Indiana-DFI, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina-AG, South Dakota, Tennessee, Texas-DOB, Utah-DFI, Vermont, Washington, and Wisconsin.

The One Company, One Exam program provides key benefits for mortgage companies and money services businesses that operate in multiple states:

- Reduced administrative burden: Companies undergo one examination process instead of multiple state-level exams, saving time and resources.
- A consistent regulatory approach: All states assess companies using the same criteria, promoting fairness and predictability.
- Access to specialized supervision: By pooling resources from multiple states, the exam team can access a range of specialists in various areas like cybersecurity or anti-money laundering, providing a more thorough assessment.
- An improved risk-based approach: Regulators focus on the most relevant risks for each company based on their operations, tailoring the examination accordingly.
- Enhanced regulatory cooperation: State collaboration leads to better information sharing and coordinated oversight.

Accreditation and Workforce Development

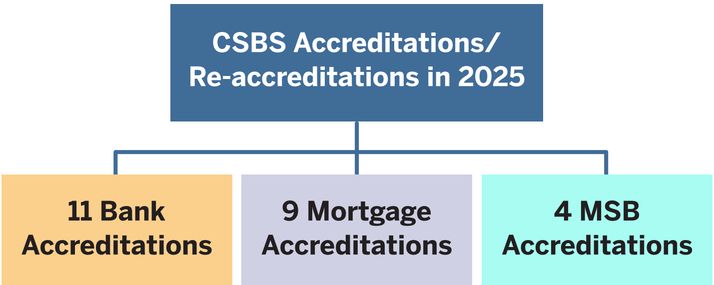
Education and workforce development are pivotal to the success of an effective and efficient supervisory system. CSBS delivers a wide range of examiner education and professional development programming.

In 2025, we offered 52 examiner training events, attended by more than 1,550 state staff. We also modernized our Day One: Mortgage examiner training program and launched two new nonbank programs: the Nonbank Cyber Examination Training and the Nonbank Examiner-In-Charge school.

Accreditation

The CSBS Accreditation Program is a nationally recognized framework that supports bank, mortgage, and money services businesses supervision. Agencies earn accreditation every five years through a self-assessment and independent review conducted by a team of former state and federal regulators, assessing agency resources and performance against established standards. The program also fosters peer engagement and the sharing of best practices among state agencies.

In 2025, CSBS accredited or re-accredited 12 state agencies through its Accreditation Program, advancing consistent, high-quality financial supervision across the state system.



Examiner Certification Program

The CSBS Examiner Certification Program is a voluntary program designed to recognize and promote the professionalism and highly specialized skillsets of state financial regulatory agency personnel. Established more than 30 years ago and overseen by the CSBS Education Foundation's Certification Committee, the program offers 25 different credentialing opportunities for state regulators, covering bank safety and soundness, mortgage, money services businesses, trust, IT, cyber, and other specialty areas.

Across 50 agencies in 45 states, state regulators collectively hold 1,204 active certifications, representing nearly 5% growth year-over-year.

Research and Analytics

CSBS provides data, technology, and analytical products to help state regulators anticipate and mitigate risk within the financial system.

Data and Analytics

State supervisors must accomplish more every year as the industries they regulate and supervise grow in volume and complexity. Data, and analytics are vital tools to help states address these challenges.

CSBS provides high-quality services to thousands of regulators and stakeholders who rely on our reporting and analytical tools. We successfully consolidated reporting platforms in 2025, strengthening capabilities for nonbank reporting and laying the groundwork for future enhancements that will leverage new technologies and advanced analytics. We implemented a more consistent and predictable process for updating call report forms, helping both regulators and industry better anticipate and prepare for necessary changes.

Our research efforts provided important insights into the challenges facing community banks, including analysis showing the disproportionate impact of regulatory costs on smaller institutions. Collectively, these efforts reflect our ongoing commitment to improving supervisory insight, operational efficiency, and data-driven decision making across the state supervisory system.

Mortgage Policy Summit

In May, 130 state regulators, federal regulators, and policy makers attended the CSBS-AARMR Mortgage Policy Summit, held at the National Press Club, to learn about forces reshaping the mortgage market, from emerging technologies to natural disasters. Featured speakers included Housing and Urban Development Secretary Scott Turner and Rep. Mike Flood.

Rep. Mike Flood (R-Neb.) discusses housing legislation.

HUD Secretary Scott Turner joins Indiana Department of Financial Institutions Director Tom Fite and CSBS President and CEO Brandon Milhorn.

Indiana Department of Financial Institutions Director Tom Fite interviews HUD Secretary Scott Turner.

Catalyst Initiative

To support the adoption of private sector technology to enhance the efficiency and effectiveness of state supervision, CSBS introduced the Catalyst Initiative at the Mortgage Policy Summit. The initiative aims to reduce regulatory burden for industry while addressing key supervisory challenges for state agencies. Its first two projects focus on improving bank data collection and advancing the use of the Mortgage Industry Standards Maintenance Organization’s (MISMO) new Mortgage Compliance Dataset.

Bank call reports are filed quarterly, creating a lag in timely insights into a bank’s financial condition. To address this gap, CSBS launched the Bank Financial Data Innovation Challenge in July, inviting vendors to submit concept papers that proposed innovative solutions to improve the timeliness and granularity of data, and also reduce the burden experienced by banks in submitting data to regulators. Five finalists were selected to develop prototypes, which were demonstrated in December to groups of state regulators.

The second project, the Mortgage Compliance Dataset Tech Sprint, focuses on adopting improved supervisory compliance examination requests. Providing data required by states for supervisory examinations can be difficult, costly, and inconsistent for mortgage lenders. MISMO released the Mortgage Compliance Dataset standard in 2024 to support a more uniform data exchange. The Mortgage Compliance Dataset Tech Sprint brought lenders, vendors, and regulatory stakeholders together to support adoption of the Mortgage Compliance Dataset standards.

The CSBS Economic Research and Policy Scholars Program advances research on critical issues related to the nation's dual banking system, community banking, financial services innovation, and economic growth.

Two program scholars joined in 2025:

- **Allison Nicoletti**, an assistant professor of accounting at the Wharton School of the University of Pennsylvania, whose research examines financial reporting and disclosure decisions made by financial institutions and the economic consequences of accounting standards and regulation.
- **Michael Iselin**, an associate professor of accounting at the University of Minnesota – Carlson School of Management, whose research relates to financial institutions, bank regulation, risk management, and corporate governance.

AI Advisory Group

The CSBS Artificial Intelligence Advisory Group includes experts from academic institutions, the financial industry, and nonprofit organizations who provide counsel and perspective on the development and use of artificial intelligence (AI) in the financial services sector. The group has served as a valuable resource to navigate policy issues that arise from an increasingly prevalent technology and has helped CSBS identify opportunities for AI in state supervision.

Supporting our People

Investing in People and Culture

CSBS's ability to serve state regulators and advance its mission begins with a robust organizational culture that supports collaboration, innovation, and professional growth. Results from the 2025 Great Place to Work Trust Index survey reflected strong engagement across the organization. Participation reached 99%, with 87% positive responses overall, an increase of four points from 2024 and the highest result CSBS has recorded. Additionally, 92% of employees said CSBS is a "**Great Place to Work®**," earning this distinction for the seventh consecutive year.

CSBS also strengthened its leadership pipeline and workforce capabilities in 2025, developing a leadership training program to prepare senior leaders for future executive roles. The Executive Leadership Development Program began with a pilot program for senior leaders. CSBS is developing a broader leadership development framework for employees that will launch in 2026.

Employee resource groups continued to foster engagement and professional development, hosting events that promote mental health awareness and highlight the diverse experiences and perspectives of CSBS staff.

CSBS staff joined Ryan Day, advanced data scientist at CSBS, at the launch of his book, Hands-on APIs for AI and Data Science.

CSBS staff celebrated PRIDE month with an all-staff happy hour.

CSBS staff showed off their culinary skills at the annual bake off.

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The CSBS Education Foundation Board of Trustees funds and oversees the development and operations of bank and nonbank programs and activities for examiner education and professional development, examiner certification, and agency accreditation.

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CSBS wished several board members farewell as they concluded their service to the state system in 2025:

- **Kevin Hagler**, Commissioner, Georgia Department of Banking and Finance
- **Patti Perkins**, Director, Idaho Department of Finance
- **Adrienne A. Harris**, Superintendent, New York Department of Financial Services
- **Roberta Hollinshead**, Director, Washington Department of Financial Services Division of Banks

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1300 I Street, NW, Suite 700 East
Washington, DC 20005

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