

## WHAT DOES THIS BILL DO?

This proposal is to adopt the State Regulatory Prudential Standards for Nonbank Mortgage Servicers Model from the Conference of State Bank Supervisors (CSBS).

The standards include two major sections: financial condition (requirements for capital, liquidity, and certain assets), and corporate governance (board oversight of the institution).

The standards provide industry with a uniform set of state requirements while providing regulators with national requirements to examine against.

## WHY IS THIS BILL IMPORTANT?

In the United States, nonbank servicers have grown tenfold in agency market share over the last decade and now are responsible for over 60% of this part of the market.

State and federal examinations have shown a need for financial condition and corporate governance controls with these servicers.

While program standards exist for participation in Fannie Mae, Freddie Mac, FHA, and VA loan servicing, there are no private servicing standards and no national level regulatory requirements enforceable by states.

## HOW WILL MINNESOTANS BE BETTER OFF IF WE PASS THIS BILL?

Enacting these standards is good for both consumers and businesses in Minnesota.

Companies that operate in a safe and sound manner are much better positioned to fulfill the significant requirements associated with servicing mortgage loans and assisting customers with these important financial obligations.

Much of the foreclosure problem that occurred during the last financial crisis was due to servicers insufficiently staffed and poorly managed at a time when borrowers needed help the most. Safety and soundness are fundamental to consumer protection and the financial condition and corporate governance requirements in these standards form the basis for safe and sound operations.

Businesses benefit from clear and transparent regulatory requirements that are consistent across all states. Further, these standards align closely with existing requirements at the federal level, mitigating regulatory burden while establishing guardrails for compliance within the state system of supervision that are complimentary rather than duplicative. Improved Consumer Protection for Minnesotans who utilities money transmission services.

Consumer protections will be improved by protecting the public from financial crime, increasing the safety of customer funds and guaranteeing adequate capitalization of licensees. The standardization of safety and soundness requirements across the states ensures that industry maintains a high level of competency, integrity and security.