



# 2022 AARMR Annual Regulatory Conference

## Networked Supervision Initiatives

August 11, 2022



# Panelists

- Melanie Hall, MT Commissioner and Immediate Past CSBS Chair
- Kristin Rice, NC Director & General Counsel and MMC Vice Chair
- Chris Romano, MT Non-depository Bureau Chief and OCOE Pilot EIC
- Jeremy Windham, AL Loan Examinations Supervisor & MMC Member

# What is Networked Supervision?

A strategy that will empower all state agencies to operate as one network while maintaining their sovereignty.

- Develop and adopt common legal/regulatory standards in key state-supervised industries
- Develop and adopt multistate supervisory practices
- Enhance technology platforms to help implement common legal and regulatory standards and sustain multistate supervisory practices

## Objectives

- Increase coordination among states
- Free up state time and resources
- Leverage risk analysis for decision-making
- Enhance consumer protection

# CSBS Networked Supervision Initiatives

## Mortgage Supervision:

- One Company One Exam (OCOEE)
- Mortgage Exam Standards
- Prudential Standards for Nonbank Mortgage Servicers
- Information Sharing with Federal Agencies
- Compliance Technology
- Mortgage Accreditation



# Status of the Mortgage OCOE

## Status and Next Steps:

- Pilot exam closed out July 2022
- After action review of the pilot exam completed in July 2022
  - Regulator and company feedback/recommendations:
    - Develop uniform exam standards for all state mortgage regulators
    - Amplify compliance technology initiatives to automate loan file review to increase productivity
    - Implement exam team parameters for all states to follow a uniform process

# Mortgage Exam Standards Project

**Purpose:** Develop a national/standard mortgage exam program for all single state and multistate exams with uniform information requests and exam procedures.

- OCOE After Action Review Recommendation: Create a standard mortgage exam program
- MMC formed working group in June 2022
- Work has begun to standardize the information requests in SES
- Regulator Comment Period – all state agencies will have an opportunity to provide feedback

# CSBS Prudential Standards

**Purpose:** Policy intended for state agency adoption that establishes standardized requirements for financial condition and corporate governance for nonbank mortgage servicers.

- Confirming that nonbanks have sufficient capital and liquidity buffers
- Protecting consumers by ensuring the safety and soundness of nonbanks
- Intentional alignment with FHFA Seller/Servicer requirements
- State adoption will happen through new laws, rule making, guidance, and exam procedures
  - Note on State Adoption: 3 states have adopted, and more than a dozen will adopt over the next couple years

# Information Sharing with FHFA & Ginnie Mae

Background: The states are pursuing information sharing agreements with FHFA and Ginnie Mae to enhance the coordination among nonbank supervisors.



2020 FSOC Annual Report:

*“The Council encouraged FHFA and other regulatory agencies to coordinate and take other appropriate action to avoid market distortions that could increase risks to financial stability by generally taking consistent approaches to the capital requirements and other regulation of similar risks across market participants, consistent with the business models and missions of their regulated entities.”*



# Compliance Technology

**Purpose:** To establish a technology platform that will improve efficiencies and assist examiners with the loan review process.

- A new initiative began in 2017 to review the current issues regulators were having with the compliance technology and why usage had dropped dramatically.
- We found that the information from the LOS was either not transferring or “mapping” to the LEF. Most of this information revolves around Change in Circumstance data. This, of course would cause a “Fail” in ComplianceAnalyzer and the examiner would select files for manual review and then discredit the system as “not working”.
- Several meetings with the regulators/industry have taken place and we have conducted several pilot exams to see if we can address the data transfer issues and rethink the way we utilize the results as examiners.
- The vision is to be able to transfer as much clean data from the LOS to the LEF and we are moving towards that goal.

Until then; could the following be beneficial information to the examiners?

# Compliance Technology

Category Status	Fail
Row Labels	Count of Category Name
⊕ <b>Consummation Date Change Alert</b>	40
⊕ <b>Dual Broker Compensation Test</b>	117
⊕ <b>Federal HOEPA Tests</b>	8
⊕ <b>Federal TILA Tests</b>	3
⊕ <b>High-Cost Mortgage</b>	8
⊕ <b>High-Cost Mortgage APR Threshold Test</b>	8
⊕ <b>Initial Loan Estimate Delivery Date Finding (prior to consummation)</b>	40
⊕ <b>Invalid Changed Circumstance Finding</b>	40
⊕ <b>Lender Credits Finding</b>	40
⊕ <b>Loan Originator Credits Test</b>	117
⊕ <b>Revised Closing Disclosure Delivery Date and Changed Circumstances Date Test</b>	40
⊕ <b>Revised Closing Disclosure Delivery Date Test (No Waiting Period Required)</b>	40
⊕ <b>Revised Closing Disclosure Delivery Date Test (Waiting Period Required)</b>	40
⊕ <b>TILA APR Test</b>	117
⊕ <b>TILA Finance Charge Test</b>	117
⊕ <b>TRID "Section B. Services You Cannot Shop For / Services Borrower Did Not Shop For" Validation Test</b>	38
⊕ <b>TRID "Section H. Other" Validation Test</b>	179
⊕ <b>TRID APR and Finance Charge Tolerance Exceeded Finding</b>	40
⊕ <b>TRID APR Tolerance Exceeded Finding</b>	40
⊕ <b>TRID Closing Disclosure Date and Funding Date Validation Test</b>	282
⊕ <b>TRID Disclosure and Changed Circumstance Date Validation Test</b>	110
⊕ <b>TRID Disclosure Delivery and Receipt Date Validation Test</b>	1
⊕ <b>TRID Foreclosure Rescission Total of Payments Test</b>	120
⊕ <b>TRID Lender's and Owner's Title Insurance Policy Amounts Validation Test</b>	208
⊕ <b>TRID Post-Consummation Reason for Redisclosure Validation Test</b>	432

# Compliance Technology

We can utilize the information received from the compliance software and make our loan file selection based on the common denominator loans that cover all categories listed. You may need the entire file, or you may just need the changed circumstance disclosure(s).

You can also utilize those files to verify any state specific disclosures or calculations.

Think



OR



Next Step is more uniformity and communication:

# Compliance Technology

## Advancing the Process

The screenshot shows the MISMO website header with navigation links: About MISMO, MISMO Connect, e-Eligibility, Quicklinks, and a search icon. Below the header are menu items: Events & Education, Standards & Resources, Membership, and Get Involved. The breadcrumb trail reads: Home / Get Involved / Workgroup. The main heading is "Regulatory Compliance Examination File Development Workgroup (DWG)".

**In This Section**

- Events & Education
- Standards & Resources
- Membership
- Get Involved**
  - Workgroup Meeting Schedule
  - Participate in a MISMO Workgroup
  - Submit a MISMO Work Request
  - Register as a MISMO Product User
  - Follow MISMO

This initiative is focused on defining the standard loan data fields and delivery format that Lenders must provide State Regulators for the loan portfolio review portion of state examinations.

Today the lending examination process is lengthy and costly for both Lenders and State Regulators. Frustration continues to grow with delivery of the current Lending Examination File format, required by some State Regulators, when it contains incorrect or missing data, resulting in inaccurate test results.

Standardizing the data and delivery file format will:

- Reduce the time spent by Lenders preparing for and responding to exam requests
- Improve compliance by enabling Lenders to use a consistent data set and format to evaluate and cure loans during loan origination and/ or prior to examinations
- Reduce the occurrence of inaccurate examination test results
- Create efficiency for Regulators by enabling the use of automated compliance testing technology



# CSBS/AARMR Mortgage Accreditation

**Feb 2021:** Performance Standards Committee (PSC) issued a Guidance Letter stating for the purpose of the OCOE, agencies can accept the OCOE in lieu of its own examination.

**April 2022:** Working group formed to revise accreditation standards that conflict with a state's ability to accept examinations from other agencies.

**Coming in 2023:** Additional changes to accreditation standards to define minimum exam requirements will be incorporated based on the results of the mortgage exam standards project.



# 2022 AARMR Annual Regulatory Conference: Networked Supervision Initiatives Panel

Comments?

Questions?

