CSBS

August 11, 2023

Pete Mills
Senior Vice President
Residential Policy and Strategic Industry Engagement
Mortgage Bankers Association

Re: MBA Comments – Mortgage Call Report Form Version 6 2024 Q1 Release

Dear Pete,

Thank you for your July 14, 2023, letter on our Version 6 2024 Q1 release announcement of the Mortgage Call Report (MCR). CSBS appreciates the long-standing collaborative relationship between our organizations. Such collaboration has benefitted state regulators as well as mortgage consumers and the greater marketplace. Good supervision includes transparency and open dialogue with industry and in this spirit, we respond to your comments.

Your letter is primarily focused on Version 6 of the MCR, and I address that matter first. You also address the potential for alignment or divergence with the reporting requirements of the Mortgage Bankers Financial Reporting Form (MBFRF). We too have interest in this matter, and I will provide our thoughts on this following my response to your MCR comments.

General Discussion and Response

One of the primary purposes of Version 6 is to simplify the filing process by basing reporting requirements on a company's business activities instead of a company's affiliation with Fannie Mae, Freddie Mac, or Ginnie Mae. By doing so, we will collect more relevant data from each mortgage licensee and eliminate state-specific reporting outside of NMLS.

The issues you raise around timing and readiness are valid concerns and we are currently considering how best to address those concerns. Due to the timing delays between the 2018 comment period for Version 6 and proposed implementation, filers may have lost context for what state regulators are accomplishing with these changes. However, as you point out, the industry has changed during this time, and we are sensitive to how those changes affect all stakeholders.

Before directly addressing MBA's concerns and suggestions, I will lay out what each filer type can expect with Version 6. Please note that a by-product of Version 6 is that we intend to begin eliminating references to "Standard" and "Expanded" filers and move more to a filer type based on activity (e.g., servicer, lender, or broker mortgage institution).

First, there are minimal new filing requirements for brokers who are not engaged in lending or servicing (typically Standard filers). These filers will continue to file mortgage origination data quarterly and financial condition data annually as they have done under Version 5. Non-applicable sections of the MCR will be automatically zero-filled. In addition, brokers will no longer be required to provide Company-Level Information on servicing and lines of credit for their MCR filing. Some regulators will require a new section called the State-Specific Supplemental Form, which will allow state regulators to collect data on commercial and consumer lending as well as on third-party loan processing and underwriting. If a broker is not engaged in the activity, they should zero-fill the section.

Mortgage institutions engaged in lending or servicing that are approved by Fannie Mae, Freddie Mac, or Ginnie Mae (formerly referred to as Expanded filers) will continue to file mortgage origination, lending, and servicing data and financial condition quarterly as they were required to file under Version 5. Companies who are engaged only in lending or only in servicing will notice that non-applicable sections of the MCR will be automatically zero-filled. The new State-Specific Supplemental Form section will also apply to these entities, if required by their regulators.

Mortgage institutions engaged in lending or servicing who are not Fannie Mae, Freddie Mac, or Ginnie Mae approved (formerly referred to as Standard filers), will also file mortgage origination, lending, and servicing data and financial condition data on a quarterly basis. In other words, their frequency of filing requirements will be the same as other lenders and servicers. While this group is believed to be small, it is likely the most impacted group, as pointed out in MBA's letter. CSBS has attempted to mitigate the impact of the new requirements on these companies by automatically zero-filling irrelevant sections of the report. For example, servicers who do not broker or lend will notice that they are required to fill out the servicing section, but the origination and lending sections will be automatically zero-filled. Under the Standard MCR form, these servicers would have been required to fill out the mortgage origination section (presumably with zeroes) but not the servicing section. In addition, by collecting lending and servicing data from every relevant mortgage licensee, CSBS hopes to eliminate state-specific reporting outside NMLS that exists because of gaps in MCR data collection.

Again, state regulator intent with Version 6 is to modernize filing requirements while simplifying the filing forms for mortgage licensees. We believe we have achieved this by basing the filing requirements on business activity.

<u>Expansion of Reporting Requirements to New Organizations</u>

MBA is concerned that MCR requirements have been expanded to smaller lenders and servicers not previously required to report certain data without formal public notice. MBA highlights the burden and cost associated with the timing and additional filing requirements for these smaller companies.

MBA recommends consideration of a minimum number of transactions that would trigger a reporting requirement and suggests that any additional information could be obtained through the examination process.

Response

The federal SAFE Act has always required collection of lending totals from each state-licensed mortgage loan originator (MLO), produced by the institution in the MCR. The expansions you reference are discussed above under General Discussion and Response. The SAFE Act does not contemplate any de minimis triggers for data collection. Adding such triggers would result in data collection below the existing basic requirement for filers. Using a de minimis trigger, if possible, under the SAFE Act, would require elevation and recommendation through the appropriate NMLS governance committees.

While state examiners could collect this information during the examination process, such collection would, at best, occur annually, and be very uneven due to examination cycles. Once collected, there is still no mechanism for the states or CSBS to merge this information with the MCR data. Further, waiting until an examination to produce monitoring information defeats the role of MCR data in the supervisory process, which is to provide regulators with information in "advance" of examinations.

As mentioned in your letter, the MCR version 6 proposal was subjected to a public comment period in 2018. This matter, with our response, is discussed more fully below.

Technical Reporting Requirements

Your comment addresses a concern that CSBS's announcement lacks important technical specifications needed for full consideration of the proposal and that such specifications will not be released with sufficient time to facilitate consideration prior to filing.

MBA suggests that CSBS issue documents or guidance to assist industry with complying with the new requirements, specifically by providing comparisons from existing to new forms of reporting.

Response

Your suggestion is an example of the important collaboration between industry and regulators that facilitates better supervision. CSBS will develop an exhibit showing the different filing requirements for different types of mortgage companies. Such an exhibit will include a comparison of Form Version 5 to Version 6.

Technical specs are made available as soon as they are complete. CSBS will issue communication and post it on the NMLS Resource Center when available.

CSBS

Public Comment and Implementation

MBA believes the fully defined MCR reporting changes should be subject to a traditional comment period of 90 days. MBA also suggests that following a new comment period an 18-month implementation period would be appropriate. The extended implementation period would allow the vendor community that supports institution reporting requirements additional time to review the final requirements, develop plans, execute any software changes, and train their clients in the new methods.

Response

As mentioned above and in MBA's letter, the MCR Version 6 proposal was subjected to a public comment period in 2018, using a 60-day comment period. Due to a pause in system development, implementation following the 2018 comment period was delayed. Now that system development has resumed, CSBS intends to resume the process of continuously maintaining and improving the MCR. Feedback, questions, and suggestions such as those contained in MBA's letter are helpful and will be considered by the MCR Subcommittee (a working group of regulators), in future development. CSBS welcomes the input and cooperation of the MBA as we continue to improve the MCR.

We recognize that implementation of the new requirements by March 31, 2024, could be burdensome to the industry and the vendors serving the industry. We intend to elevate MBA's timing concerns and your request for an 18-month implementation timeline with the MCR Subcommittee. While extension of the timeline would likely extend implementation further than state regulators desire, your request merits reconsideration of our proposed timing.

<u>Potential Alignment with the Mortgage Bankers Financial Reporting Form (MBFRF)</u>

CSBS is an advocate of more standardized regulatory reporting processes. As MBA is aware, CSBS has long sought greater transparency into the MBFRF for this very purpose. We thank MBA for its assistance last November by providing us with the 2022 MBFRF definitions and updated form.

We continue to seek greater insight into both the MBFRF requirements and the MBFRF data filed by industry. Such insight will serve to facilitate greater alignment between the MBFRF and the MCR and could foster dialogue between state and federal mortgage supervisors and MBA focused on eliminating unnecessary duplication in filing requirements. CSBS has long believed that work in this area would not only improve supervision, but lower costs and burden on industry as well.

Additionally, you have asked that CSBS consider revamping the MCR section of the NMLS Resource Center to allow submitters to find information more easily. This is a reasonable request, and we will investigate whether the existing Resource Center can be improved without major redesign.

Thank you for your observations and recommendations for improving Version 6 of the MCR. Your concerns are valid. For areas within CSBS staff control, such as informational materials, we will determine responsive measures. For those requests or suggestions requiring state regulator change to policy, we will access our governance process.

Sincerely,

Vickie Peck

EVP, Products and Solutions