MORTGAGE BANKERS ASSOCIATION

March 6, 2025

Brandon Millhorn
President and CEO
Conference of State Bank Supervisors
1300 I Street NW, Suite 700 East
Washington, DC 20005
comments@csbs.org

Re: Amendments and Additions to the Mortgage Call Report Form Version 7

Dear Mr. Millhorn,

The Mortgage Bankers Association (MBA)[1] appreciates the opportunity to comment on proposed changes to the Nationwide Multistate Licensing System (NMLS) Mortgage Call Report Form Version 7 (MCRV7).[2] Thank you also for the preview of these changes made during the August 2024 NMLS Ombudsman meeting by Jeff Peterson from the Nebraska Department of Banking and Finance and Jessan Groenendyk from CSBS.

During the last year, the industry completed herculean efforts to implement MCR Form Version 6 (MCRV6) on a very short timeline. Thus, when it was announced during the August 2024 NMLS Ombudsman meeting that MCRV7 would reflect either minor changes to the MCR and/or changes that would bring the MCR into greater alignment with the Mortgage Bankers Financial Reporting Form (MBFRF), it was well received. MBA has long advocated in NMLS forums for this alignment to reduce duplicative, time consuming and ultimately costly additional reporting to regulators. It is important that proposed changes actually reflect true alignment. Also, since many MBA member companies do not file an MBFRF – including many smaller firms – it is critical that a longer implementation timeline be permitted to facilitate compliance by smaller firms with fewer resources.

MBA would like to highlight the following points regarding the proposal:

- Regulators Should Clarify that their Intent is to Align the MCR with the MBFRF;

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 275,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,000 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

[2] https://mortgage.nationwidelicensingsystem.org/news/ProposalsForComment/MCR%20FV7%20Public%20Comment%20Final%2012172024.pdf

- State Regulatory Authority to Collect New Data Fields Should be Fully Established Before Data Collection Begins;
- Regulators Should Remove Reporting of Subservicing Delinquencies;
- A New MCR Data Field Request for Mortgage Forbearance Assistance is Problematic and Should be Removed;
- Regulators Should Provide the XML File when Announcing the Final MCRV7 and Provide an Adequate Implementation Timeline; and,
- Regulators Must Assure the Confidentiality of MBA Member Company Information Submitted to the NMLS.

Regulators Should Clarify that their Intent is to Align the MCR with the MBFRF

MBA members are confused regarding the intent and purpose of some of the new data fields added to the MCRV7. The background in the December 18, 2024 proposal only states the changes are to aid state regulators in "…gain[ing] insights into industry trends, helping them identify potential issues that could harm consumers." However, months earlier during the August 2024 NMLS Ombudsman meeting, staff presented the changes as part of an alignment with the MBFRF. Most recently, in the course of presentations during the recent NMLS conference, staff and regulators explained that the new data fields were necessary to facilitate examination by the handful of regulators whose states had adopted the Conference of State Bank Supervisors (CSBS) model Prudential Standards. Given this confusion and the fact that this proposal is coming so soon after the exhaustive efforts to implement MCRV6, MBA suggests that MCRV7 changes be limited to MBFRF alignment purposes only. Any additional changes beyond alignment should be part of a separate "rulemaking" and include a separate cost-benefit assessment.

State Regulatory Authority to Collect New Data Fields Should be Fully Established Before Data Collection Begins

MBA believes that clear regulatory authority should first be established in state law to require any new data beyond that which is required for MBFRF alignment. As of this writing, MBA is aware of only seven states that have enacted the model CSBS Prudential Standards. Importantly, if the MCRV7 proposal is based on the states enacting the model Prudential Standards, the proposal does not explain who is still required to file these data points considering the model Prudential Standards exempts servicers of fewer than 2,000 loans.[3]

Regulators Should Remove Reporting of Subservicing Delinquencies

MBA has concerns about the reporting format for delinquencies and needs to understand the rationale for separate delinquency reporting on loans subserviced for and by others.

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[3] *The Final Model Standards contain a de minimis cutoff or coverage trigger that applies to servicers with portfolios of 2,000 or more 1 – 4-unit residential mortgage loans serviced or subserviced for others, excluding whole loans owned and loans being "interim" serviced prior to sale, and operating in two or more states, as of the most recent calendar year end, reported in the NMLS Mortgage Call Report.*
https://www.csbs.org/sites/default/files/2021-08/Final%20Model%20Prudential%20Standards%20-%20July%2023%2C%202021%20Board%20Approved%20Aug.pdf

For monitoring of liquidity stress, regulators should focus on the loan performance of MSRs *owned by the servicer* – regardless of whether the servicing is done in-house or by a subservicer. MSR owners retain the obligation to make advances on delinquent PITI. Subservicers do not have a similar obligation to advance. For that reason, we understand the need to have servicers report on total UPB and number of loans serviced, and what portion of that total includes loans subserviced FOR others and loans subserviced BY others.

However, the reporting of delinquencies on loans subserviced BY and FOR others does not make sense. For loans subserviced BY others, the delinquencies will already be reported in the section the MCR calls "Loans Serviced Under MSRs." For loans subserviced FOR others, the advancing obligation resides with the owner of the MSRs, not the subservicer. Collecting delinquency data on loans subserviced FOR others does not enhance the regulators' understanding of liquidity stress from that portfolio.

Given the stated purpose of this expansion of the MCR is prudential oversight, we do not believe that separate reporting of subservicing delinquencies FOR others adds any value, while the delinquency reporting on subservicing BY others is duplicative. Both of these sections should be removed.

A New MCR Data Field Request for Mortgage Forbearance Assistance is Problematic and Should be Removed

MBA believes that the proposed section is problematic and should not be included in MCRV7 as forbearance data does not provide additional or better insight into liquidity stress than delinquency data. The two are different, and forbearance reporting on the MBFRF was a temporary consideration during the COVID-19 to calculate how to provide IMBs relief from agency liquidity standards due to the CARES Act forbearance mandates. This is why the MBFRF form has not tracked all forbearances; only those related to COVID-19 pandemic. Again, this forbearance tracking was added in 2020 in the early days of the pandemic to the MBFRF because the agencies temporarily provided capital/liquidity relief to servicers with COVID forbearances.[4] During the last year, the Consortium leadership has decided to remove COVID-19 related forbearances as that relief no longer applies. In fact, according to MBA's Loan Monitoring Survey loans in forbearance are less than half of one percent of all loan portfolios. As of January 31, 2025, MBA estimates that only 200,000 homeowners are in forbearance plans.[5]

Again, MBA believes delinquency data better enhances financial analysis of the servicer/issuer. In a post COVID-19 era, we would welcome further discussion with regulators to determine the need for this data, especially if it centers on post natural disaster assistance efforts. Significant work will be needed to identify what risks the regulators desire to track and to ensure proper definitions of key terms.

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[4] https://singlefamily.fanniemae.com/media/22261/display, *Modifying seller/servicer financial liquidity requirements for mortgage loans in Forbearance.* page 4

[5] https://www.mba.org/news-and-research/newsroom/news/2025/02/18/share-of-mortgage-loans-in-forbearance-decreases-to-0.40--in-january

It is also worth adding that in its review MBA could not discover any state that mandates by statute the submission of forbearance data via the MCR or through a report outside the NMLS. Consequently, MBA does not support adding these fields to the MCR.

Regulators Should Provide the XML File when Announcing the Final MCRV7 and Provide an Adequate Implementation Timeline

The MCRV7 proposal did not include a timeline for implementation. However, the plan to commence data collection in January 2026 was noted during presentations at the recent NMLS Conference. Given that the implementation of MCRV6 was on a very condensed timeline, MBA would like to make sure state regulators consider an appropriate timeline with this new proposal. Given that implementation requires the XML file, MBA also urges regulators to provide the file when announcing the final MCRV7. MBA members have expressed the need for 9 months for this implementation following the XML file's release to enable vendors to build out their software programs to assist filers.

Regulators Must Assure the Confidentiality of MBA Member Company Information Submitted to the NMLS

Should NMLS proceed with the MCRV7 as proposed, and all servicers and subservicers are required to file these new data points, MBA wishes to once more voice its significant concerns about the privacy of member company information in these reports. Indeed, during the recent Ombudsman meeting in February, MBA members again raised the topic of confidentiality of their data when submitted to NMLS and again did not receive a firm response on what to expect. The MCRV7 proposal requests national figures for individual state regulators. Does that change the governing mandate for protecting confidentiality from a least protective state standard to one governed by federal law? Or, as a result of a public records request could a state regulator still inappropriately disclose confidential supervisory information outside the scope of their state-specific reporting mandates? MBA member companies deserve to know that their data is being safeguarded, and if not, what regulators are doing to attend to any potential breach of privilege.

Again, thank you for the opportunity to comment on the proposed changes to the MCR. If you have any questions, or need more information, please feel free to contact me at pmills@mba.org.

Respectfully,

Pete Mills
Senior Vice President
Residential Policy and Strategic Industry Engagement