



Date: XX/XX/2023

To: Minnesota Licensed Mortgage Originators and Servicers

From: Financial Institutions Division

RE: Minnesota adoption of Prudential Standards for Nonbank Mortgage Servicers – Summary

On May 24, 2023, Governor Tim Walz signed Minnesota Session Law 2023, Chapter 57, Senate File 2744 into law, which included adoption of the Minnesota version of the Conference of State Bank Supervisors (CSBS) Prudential Standards for Nonbank Mortgage Servicers Model law. You can access a copy of law [here](#), which provides new coding in Minnesota Statutes Chapter 58. The effective date of the law is August 1, 2023.

Summary of law changes:

- **Who does this apply to?** The standards apply to any “covered institution”, which is a Minnesota mortgage company licensee who is “...a mortgage servicer that services or subservices for others at least 2,000 or more residential mortgage loans in the United States, excluding whole loans owned, and loans being interim serviced prior to sale as of the most recent calendar year end, reported on the NMLS mortgage call report.”
- **Exemptions.** The standards do not apply to institutions exempt from licensing under Minn. Stat. §§ 58.04 or 58.05, institutions of the Farm Credit System established and authorized under the Farm Credit Act, servicers who solely do reverse mortgage servicing, or the reverse mortgage portfolio of otherwise covered institutions.
- **Major requirements.** there are two major components:
 - **Financial condition** – covered institutions must maintain capital and liquidity sufficient to meet the Federal Housing Finance Agency eligibility requirements for enterprise single-family sellers and servicers. A covered institution must have sufficient allowable assets for liquidity to cover normal business operations. There must be written policies and procedures to ensure an institution can implement these requirements.
 - **Corporate governance** – covered institutions must have a board of directors or equivalent to establish and monitor a corporate governance framework; have internal and external audit requirements; and have a risk management program and annual assessment scaled to the size and complexity of the institution that covers several listed areas of risk.
- **How will the Financial Institutions Division implement these requirements?** We will start to review for compliance with these requirements as part of our examination and licensing processes starting in 2024. Please note our current examination program already includes a review of financial condition and management policies and procedures.