

## Part 2. Prudential Standards for Mortgage Servicers.

### § 53-244.141. Definitions.

In addition to the definitions in Part 1 of this Article, the following definitions apply in this Part:

- (1) Agency. – Fannie Mae, Freddie Mac, and Ginnie Mae.
- (2) Allowable assets for liquidity. – Those assets that may be used to satisfy the liquidity requirements of this Part, including unrestricted cash and cash equivalents and unencumbered investment grade assets held for sale or trade. This term includes agency MBSs, obligations of GSEs, and U.S. Treasury obligations.
- (3) Board of directors. – The formal body established by a covered institution that is responsible for corporate governance and compliance with this Article.
- (4) Corporate governance. – The structure of the institution and how it is managed including the corporate rules, policies, processes, and practices used to oversee and manage the institution.
- (5) Covered institution. – A mortgage servicer with servicing portfolios of 2,000 or more one- to four-unit residential mortgage loans serviced or subserviced for others, excluding whole loans owned, and loans being "interim" serviced prior to sale as of the most recent calendar year end, reported in the NMLS Mortgage Call Report.
- (6) External audit. – The formal report prepared by an independent certified public accountant expressing an opinion on whether the financial statements are presented fairly, in all material aspects, in accordance with the applicable financial reporting framework, and is inclusive of an evaluation of the adequacy of a company's internal control structure.
- (7) FHFA. – The Federal Housing Finance Agency.
- (8) Ginnie Mae. – Government National Mortgage Association.
- (9) GSE. – Government-sponsored enterprises, or Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac).
- (10) Interim serviced prior to sale. – The activity of collecting a limited number of contractual mortgage payments immediately after origination on loans held for sale but prior to the loans being sold into the secondary market.
- (11) Internal audit. – The internal activity of performing independent, objective assurance and consulting to evaluate and improve the effectiveness of company operations, risk management, internal controls and governance processes.
- (12) Mortgage Call Report. – The quarterly or annual report of residential real estate loan origination, servicing and financial information completed by companies licensed in NMLS.
- (13) Mortgage servicing right (MSR). – The contractual right to service residential mortgage loans on behalf of the owner of the associated mortgage in exchange for specified compensation in accordance with the servicing contract.
- (14) Mortgage-backed security (MBS). – A financial instrument, often a debt security, collateralized by residential mortgages.
- (15) MSR investor. – A person that invests in and owns mortgage servicing rights and relies on subservicers to administer the loans on its behalf. MSR investors may be referred to as master servicers.

- (16) Operating liquidity. – The funds necessary to perform normal business operations, such as payment of rent, salaries, interest expense, and other typical expenses associated with operating the person.
- (17) Residential mortgage loans serviced. – The specific portfolio or portfolios of residential mortgage loans for which a licensee is contractually responsible to the owner or owners of the mortgage loans for the defined servicing activities.
- (18) Risk management assessment. – The functional evaluations performed under the risk management program and reports provided to the board of directors under the relevant governance protocol.
- (19) Risk management program. – The policies and procedures designed to identify, measure, monitor, and mitigate risk sufficient for the level of sophistication of the mortgage servicer.
- (20) "Servicing liquidity" or "liquidity." – The financial resources necessary to manage liquidity risk arising from servicing functions required in acquiring and financing MSR assets, hedging costs (including margin calls) associated with the MSR asset and financing facilities, and advances or costs of advance financing for principal, interest, taxes, insurance, and any other servicing related advances.
- (21) Subservicer. – The person performing the routine administration of residential mortgage loans as agent of a mortgage servicer or MSR investor under the terms of a subservicing contract.
- (22) Subservicing for others. – The contractual activities performed by subservicers on behalf of a mortgage servicer or MSR investor.
- (23) Tangible net worth. – Total equity less receivables due from related persons less goodwill and other intangibles less pledged assets.
- (24) Whole loans. – Those loans where a mortgage and the underlying credit risk is owned and held on a balance sheet of the person with all ownership rights. (2025-43, s. 1.)