

**Senate File 2298 - Introduced**

SENATE FILE 2298  
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 3111)

(COMPANION TO HF 2392 BY  
COMMITTEE ON COMMERCE)

**A BILL FOR**

1 An Act relating to mortgage administration and mortgage  
2 servicers.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 535B.1, Code 2024, is amended by adding  
2 the following new subsections:

3 NEW SUBSECTION. 1A. "*Branch office*" means any location,  
4 other than a licensee's principal place of business or a remote  
5 location, where the licensee, the licensee's employees, or the  
6 licensee's independent contractors maintain a physical presence  
7 to engage in business as a mortgage banker or a mortgage  
8 broker.

9 NEW SUBSECTION. 8A. "*Principal place of business*" means  
10 a licensee's primary business office as designated on the  
11 licensee's application for licensure.

12 NEW SUBSECTION. 11A. "*Remote location*" means a physical  
13 location in the United States, other than a licensee's  
14 principal place of business or a branch office, where a  
15 licensee's employee or an independent contractor of the  
16 licensee is authorized by the licensee to engage in business as  
17 a mortgage banker or mortgage broker.

18 Sec. 2. Section 535B.4, subsection 2, paragraph a, Code  
19 2024, is amended to read as follows:

20 a. License applicants shall submit to the administrator  
21 an application on forms provided by the administrator. The  
22 forms shall include, at a minimum, ~~all addresses~~ the address of  
23 the principal place of business and of all branch offices at  
24 which business is to be conducted, the names and titles of each  
25 director and principal ~~officers~~ officer of the business, and a  
26 description of the activities of the applicant in such detail  
27 as the administrator may require.

28 Sec. 3. Section 535B.4, subsections 9 and 10, Code 2024, are  
29 amended to read as follows:

30 9. A licensee ~~may~~ shall not establish a branch ~~locations~~  
31 office outside of the United States.

32 10. In addition to the application and renewal fees provided  
33 for in subsections 4 and 7, the administrator may assess  
34 application and renewal fees for each branch ~~location~~ office of  
35 the licensee, sponsor fees, and change of sponsor fees.

1     Sec. 4. Section 535B.11, subsection 3, paragraph a, Code  
2 2024, is amended by striking the paragraph and inserting in  
3 lieu thereof the following:

4     a. Perform an annual escrow analysis for each escrow  
5 account. A clear and legible copy of the annual escrow  
6 analysis shall be delivered to the mortgagor within thirty  
7 calendar days of the end of the escrow account computation  
8 year, as defined in 12 C.F.R. §1024.17, to which disclosure  
9 relates, and shall include the information required for annual  
10 escrow account statements under 12 C.F.R. §1024.17.

11     Sec. 5. Section 535B.11, subsection 4, Code 2024, is amended  
12 to read as follows:

13     4. ~~Answer As required by 12 C.F.R. §1026.36, answer in~~  
14 ~~writing, within ten business days of receipt,~~ any written  
15 request for payoff information received from a mortgagor or the  
16 mortgagor's designated representative.

17     Sec. 6. Section 535B.16, Code 2024, is amended to read as  
18 follows:

19     **535B.16 Notice to administrator.**

20     A licensee or registrant maintaining ~~an~~ a branch office in  
21 the state shall notify the administrator in writing at least  
22 thirty days before closing or otherwise ceasing operations at  
23 any branch office in the state.

24     Sec. 7. NEW SECTION. **535B.21 Remote work.**

25     A licensee may authorize work at a remote location provided  
26 all of the following requirements are met:

27     1. In-person customer interaction does not occur at the  
28 residence of an employee or an independent contractor.

29     2. The licensee's physical records are not maintained at a  
30 remote location.

31     3. The licensee establishes, supervises, and enforces  
32 written policies and procedures to ensure that all employees  
33 and independent contractors working from a remote location  
34 comply with all applicable state and federal laws and rules.

35     4. The licensee maintains the computer system used to

1 enable employees and independent contractors to work from a  
2 remote location, and all customer information is maintained in  
3 accordance with the licensee's written information technology  
4 security plan and all applicable state and federal laws and  
5 rules.

6 5. Employees and independent contractors who work from  
7 a remote location only access the licensee's secure systems  
8 directly from an out-of-office device using a virtual private  
9 network or comparable system that requires a password or  
10 other form of authentication to access, and ensures a secure  
11 connection.

12 6. The licensee has the ability to remotely lock or erase  
13 the licensee-related contents of any out-of-office device,  
14 or otherwise remotely limit access to the licensee's secure  
15 systems.

16 7. The licensee ensures the installation and maintenance of  
17 all appropriate security updates, patches, or other alterations  
18 to the security of all devices used at remote locations to  
19 access the licensee's computer system.

20 8. The licensee ensures that all customer interactions  
21 and communications regarding customers comply with federal  
22 and state information security requirements, including but  
23 not limited to the federal Gramm-Leach-Bliley Act of 1999,  
24 15 U.S.C. §6801 et seq., and the federal standards for  
25 safeguarding customer information in 16 C.F.R. pt. 314.

26 9. The licensee annually certifies that all employees  
27 and independent contractors working from a remote location  
28 comply with this section. The licensee shall make written  
29 documentation of the certification available to the  
30 administrator upon request.

31 10. The record of a mortgage loan originator working from a  
32 remote location that is contained in the nationwide mortgage  
33 licensing system and registry designates a licensed location as  
34 the mortgage loan originator's official work location.

35 Sec. 8. NEW SECTION. 535B.22 Definitions.

1 As used in this subchapter unless the context otherwise  
2 provides:

3 1. "*Administrator*" means the superintendent of the division  
4 of banking of the department of insurance and financial  
5 services.

6 2. "*Allowable assets for liquidity*" means any of the  
7 following assets that may be used to satisfy the liquidity  
8 requirements under section 535B.24:

9 a. Unrestricted cash and cash equivalents.

10 b. Unencumbered investment grade assets held for sale or  
11 trade, including agency mortgage-backed securities, obligations  
12 of government-sponsored enterprises, and United States treasury  
13 obligations.

14 3. "*Board of directors*" means the formal body established  
15 by a covered institution that is responsible for corporate  
16 governance and compliance with sections 535B.24 and 535B.25.

17 4. "*Corporate governance*" means the structure of a covered  
18 institution and how the covered institution is managed,  
19 including but not limited to the corporate rules, policies,  
20 processes, and practices used to oversee and manage the covered  
21 institution.

22 5. "*Covered institution*" means a mortgage servicer that  
23 services, or subservices for others, two thousand or more  
24 residential mortgage loans, excluding whole loans owned and  
25 loans being interim serviced prior to sale, as of the most  
26 recent calendar year end as reported on the nationwide mortgage  
27 licensing system mortgage call report.

28 6. "*External audit*" means a formal report prepared by an  
29 independent certified public accountant expressing an opinion  
30 on whether a company's financial statements are presented  
31 fairly, in all material respects, in accordance with the  
32 applicable financial reporting framework, and includes an  
33 evaluation of the company's internal control structure.

34 7. "*Government-sponsored enterprise*" means the federal  
35 national mortgage association or the federal home loan mortgage

1 corporation.

2 8. *"Interim serviced prior to sale"* means the activity of  
3 collecting a limited number of contractual mortgage payments  
4 immediately after origination on loans held for sale, but no  
5 longer than a period of ninety days prior to the loans being  
6 sold into the secondary market.

7 9. *"Internal audit"* means independent and objective  
8 assurance and consulting performed internally by a company  
9 to evaluate and improve the effectiveness of the company's  
10 operations, risk management, internal controls, and governance  
11 processes.

12 10. *"Mortgage-backed security"* means a financial instrument,  
13 including but not limited to a debt security, collateralized by  
14 residential mortgages.

15 11. *"Mortgage call report"* means the quarterly or annual  
16 report of residential real estate loan origination, servicing,  
17 and financial information filed by companies licensed in the  
18 nationwide mortgage licensing system and registry.

19 12. *"Mortgage servicer"* or *"servicer"* means a person that  
20 performs, under the terms of a servicing contract, the routine  
21 administration of residential mortgage loans on behalf of the  
22 owner or owners of the related mortgages.

23 13. *"Mortgage servicing rights"* means the contractual right  
24 to service a residential mortgage loan on behalf of the owner  
25 of the associated mortgage in exchange for the compensation  
26 specified in the applicable servicing contract.

27 14. *"Mortgage servicing rights investor"* means a person  
28 that invests in and owns mortgage servicing rights and relies  
29 on subservicers to administer mortgage loans on behalf of the  
30 person.

31 15. *"Nationwide mortgage licensing system and registry"* means  
32 the same as defined in section 535D.3.

33 16. *"Operating liquidity"* means the financial resources  
34 necessary for a person to perform the person's normal business  
35 operations, including but not limited to payment of rent,

1 salaries, interest expenses, and other typical expenses  
2 associated with operating the business.

3 17. "*Person*" means a natural person, an association,  
4 joint venture or joint stock company, partnership, limited  
5 partnership, business corporation, nonprofit corporation, or  
6 any other group of individuals however organized.

7 18. "*Reverse annuity mortgage loan*" means the same as  
8 defined in section 528.2.

9 19. "*Risk management assessment*" means a functional  
10 evaluation performed under a risk management program, and the  
11 report provided to the covered institution's board of directors  
12 under the relevant governance protocol.

13 20. "*Risk management program*" means written policies and  
14 procedures commensurate with a covered institution's size and  
15 complexity designed to identify, measure, monitor, and mitigate  
16 risk.

17 21. "*Servicing liquidity*" or "*liquidity*" means the financial  
18 resources necessary to manage the liquidity risk arising  
19 from servicing functions required in acquiring and financing  
20 mortgage servicing rights; hedging costs, including margin  
21 calls, associated with the mortgage servicing rights asset  
22 and financing facilities; and advances or costs of advance  
23 financing for principal, interest, taxes, insurance, and any  
24 other servicing related advances.

25 22. "*Subservicer*" means a person that performs, under the  
26 terms of a subservicing contract, routine administration of  
27 residential mortgage loans as the agent of a servicer or of a  
28 mortgage servicing rights investor.

29 23. "*Tangible net worth*" means total equity less the  
30 receivables due from related entities, and less goodwill and  
31 other intangibles, and less pledged assets.

32 24. "*Whole loan*" means a loan where a mortgage and the  
33 underlying credit risk is owned and held on a balance sheet of  
34 the person possessing all ownership rights of the mortgage.

35 Sec. 9. NEW SECTION. 535B.23 **Applicability.**

1 1. This subchapter shall apply to covered institutions.  
2 For entities within a holding company or an affiliated group  
3 of companies, this subchapter shall apply at the covered  
4 institution level.

5 2. This subchapter shall not apply to persons exempt from  
6 licensing under section 535B.2.

7 Sec. 10. NEW SECTION. 535B.24 **Financial condition.**

8 1. This section shall not apply to servicers that solely  
9 own or conduct servicing on reverse annuity mortgage loans, or  
10 to the reverse annuity mortgage loan portfolio administered by  
11 a covered institution.

12 2. A covered institution shall maintain capital and  
13 liquidity in compliance with this section, and all financial  
14 data shall be determined in accordance with generally accepted  
15 accounting principles.

16 3. A covered institution may satisfy subsection 2 by  
17 complying with the capital, net worth ratio, and liquidity  
18 standards of the federal housing finance agency's eligibility  
19 requirements for enterprise single-family sellers or  
20 servicers, regardless of whether the servicer is approved for  
21 government-sponsored enterprise servicing.

22 4. A covered institution shall maintain the written  
23 policies and procedures necessary to implement the capital,  
24 operating liquidity, and servicing liquidity requirements under  
25 this section. The policies and procedures must include a  
26 sustainable written methodology to comply with subsection 3,  
27 and shall be made available to the administrator upon request.

28 5. *a.* A covered institution shall maintain sufficient  
29 allowable assets for operating liquidity, in addition to the  
30 amounts required for servicing liquidity, to sustain normal  
31 business operations.

32 *b.* The covered institution shall develop, establish, and  
33 implement written plans, policies, and procedures, using  
34 sustainable documented methodologies, to maintain operating  
35 liquidity. The policies and procedures shall be made available



1 to the administrator upon request.

2 6. A covered institution shall have a sound written cash  
3 management plan and a sound written business operating plan  
4 commensurate with the complexity of the covered institution  
5 that ensures normal business operations.

6 Sec. 11. NEW SECTION. 535B.25 **Corporate governance.**

7 1. A covered institution shall establish and maintain a  
8 board of directors that is responsible for oversight of the  
9 covered institution. If a government-sponsored enterprise  
10 or government national mortgage association has not approved  
11 a covered institution to service loans, or has approved an  
12 alternative to a board of directors, the covered institution  
13 may establish a similar oversight committee for purposes of  
14 exercising oversight and fulfilling the responsibilities under  
15 subsection 2.

16 2. The board of directors, or a similar oversight committee  
17 approved under subsection 1, shall do all of the following:

18 a. Establish a written corporate governance framework that  
19 includes appropriate internal controls to monitor and assess  
20 compliance with the corporate governance framework.

21 b. Make a copy of the corporate governance framework  
22 available to the administrator upon request.

23 c. Monitor and ensure that the covered institution  
24 complies with the corporate governance framework and with this  
25 subchapter.

26 d. Perform accurate and timely regulatory reporting,  
27 including filing the covered institution's mortgage call  
28 report.

29 e. Establish internal audit requirements that are  
30 appropriate for the size, complexity, and risk profile of the  
31 covered institution, and ensure appropriate independence to  
32 provide an unbiased evaluation of the covered institution's  
33 internal control structure, risk management, and corporate  
34 governance. The established internal audit requirements and  
35 the results of internal audits shall be made available to the

1 administrator upon request.

2 *f.* Ensure the covered institution establishes and maintains  
3 a risk management program that identifies, measures, monitors,  
4 and controls risk commensurate with the covered institution's  
5 size and complexity. The risk management program must  
6 include appropriate processes and models to measure, monitor,  
7 and mitigate financial risks and changes to the covered  
8 institution's risk profile and assets being serviced. The risk  
9 management program shall address all of the following:

10 (1) The potential that a borrower or counterparty fails to  
11 perform on an obligation.

12 (2) The potential that the covered institution is unable to  
13 meet the covered institution's obligations as the obligations  
14 come due as a result of an inability to liquidate assets or to  
15 obtain adequate funding.

16 (3) The potential that the covered institution cannot  
17 easily unwind or offset specific exposures.

18 (4) The risk resulting from inadequate or failed internal  
19 processes, people, or systems; or from external events.

20 (5) The risk to the covered institution's condition  
21 resulting from adverse movements in market rates or prices.

22 (6) The risk of regulatory sanctions, fines, penalties,  
23 or losses resulting from the covered institution's failure to  
24 comply with applicable laws and rules or other supervisory  
25 requirements that apply to the covered institution.

26 (7) The potential that legal proceedings against the  
27 covered institution may result in unenforceable contracts,  
28 lawsuits, legal sanctions, or adverse judgements that  
29 may disrupt or otherwise negatively affect the covered  
30 institution's operations or condition.

31 (8) The risk to earnings and capital arising from negative  
32 publicity regarding the covered institution's business  
33 practices.

34 3. A covered institution shall undergo an annual external  
35 audit and shall make the external audit available to the

1 administrator upon request. An external audit shall include,  
2 at a minimum, all of the following:

3 a. An evaluation of the company's internal control  
4 structure.

5 b. A review of the company's annual financial statements,  
6 including the balance sheet, income statement, and cash  
7 flows, including notes and supplemental schedules prepared in  
8 accordance with generally accepted accounting principles.

9 c. A computation of the company's tangible net worth.

10 d. Validation of the company's mortgage servicing rights  
11 valuation and reserve methodology, if applicable.

12 e. Verification the company has adequate fidelity and errors  
13 and omissions insurance.

14 f. Testing of the company's controls related to risk  
15 management activities, including compliance and stress testing,  
16 if applicable.

17 4. A covered institution shall conduct an annual risk  
18 management assessment that shall conclude with a formal report  
19 to the board of directors, and shall make the risk management  
20 assessment available to the administrator upon request. A  
21 risk management assessment shall include issue findings and  
22 the response or action taken to address each issue. A covered  
23 institution shall maintain ongoing documentation of risk  
24 management activities and shall include the documentation in  
25 the risk management assessment.

26 Sec. 12. CODE EDITOR DIRECTIVE. The Code editor shall  
27 divide chapter 535B into subchapters and shall designate  
28 sections 535B.1 through 535B.21, including sections amended  
29 or enacted in this Act, as subchapter I entitled "Mortgage  
30 Banking, Mortgage Brokers, and Closing Agents", and sections  
31 535B.22 through 535B.25, as enacted in this Act, as subchapter  
32 II entitled "Prudential Standards".

33

EXPLANATION

34 The inclusion of this explanation does not constitute agreement with  
35 the explanation's substance by the members of the general assembly.

1 This bill relates to mortgage administration and mortgage  
2 servicers.

3 The bill requires applicants for a mortgage banker, a  
4 mortgage broker, or a closing agent license to submit to the  
5 administrator an application on the provided forms containing,  
6 in addition to other information laid out by the bill, the  
7 address of the applicant's principal place of business and of  
8 all branch offices where business is to be conducted, rather  
9 than all addresses as required under current law. "Principal  
10 place of business" and "branch office" are defined in the bill.

11 Current law requires a licensee or other mortgagee who  
12 services mortgages on residential real estate located in  
13 the state to answer in writing, within 10 business days,  
14 any written request for payoff information received from a  
15 mortgagor or the mortgagor's designated representative. The  
16 bill requires the licensee or other mortgagee to answer as  
17 required by 12 C.F.R. §1026.36.

18 The bill allows a licensee to authorize employees or  
19 independent contractors (contractors) to work from a remote  
20 location, as defined by the bill, provided that in-person  
21 customer interaction does not occur at the residence of an  
22 employee or contractor; physical records are not maintained  
23 at the remote location; the licensee establishes and enforces  
24 policies and procedures to ensure employees and contractors  
25 comply with all applicable state and federal laws and rules;  
26 the licensee maintains the computer system used by remote  
27 employees and contractors and all customer information  
28 is maintained in accordance with the licensee's written  
29 information technology security plan, and all applicable state  
30 and federal laws; remote employees and contractors access the  
31 licensee's secure systems directly from an out-of-office device  
32 using a virtual private network that requires authentication;  
33 the licensee has the ability to remotely lock or erase  
34 licensee-related contents of any device, or remotely limit  
35 access to the licensee's secure systems; the licensee ensures

1 the installation and maintenance of appropriate alterations  
2 to the security of all devices used at remote locations;  
3 the licensee ensures that all communications regarding  
4 customers comply with federal and state information security  
5 requirements; and the licensee annually certifies that all  
6 employees and contractors working from a remote location comply  
7 with the requirements of the bill. In addition, the record of  
8 a mortgage loan originator working from a remote location that  
9 is contained in the nationwide mortgage licensing system and  
10 registry must designate a licensed location as the mortgage  
11 loan originator's official work location.

12 The bill requires a covered institution (institution)  
13 to maintain capital and liquidity, with all financial  
14 data determined in accordance with generally accepted  
15 accounting principles. "Covered institution" is defined in  
16 the bill. An institution may comply with the capital and  
17 liquidity requirement by meeting the capital, net worth,  
18 and liquidity standards set forth in the federal housing  
19 finance agency's eligibility requirements for enterprise  
20 single-family seller-servicers. An institution shall maintain  
21 written policies and procedures implementing the capital,  
22 operating liquidity, and servicing liquidity requirements,  
23 including a sustainable written methodology for satisfying  
24 the requirements; make the written policies and procedures  
25 available to the administrator upon request; maintain  
26 sufficient allowable assets for operating liquidity; and have  
27 sound written cash management and sound written business  
28 operating plans that match the complexity of the institution  
29 and ensure normal business operations. "Administrator" is  
30 defined in the bill as the superintendent of the division of  
31 banking of the department of insurance and financial services.

32 The bill requires an institution to establish and maintain  
33 a board of directors, or, if approved, a similar body, to be  
34 responsible for oversight of the covered institution. The  
35 board of directors, or similar body, must establish a written

1 corporate governance framework; make the corporate governance  
2 framework available to the administrator upon request;  
3 monitor and ensure the covered institution complies with the  
4 corporate governance framework and with the provisions of  
5 the bill; perform accurate and timely regulatory reporting,  
6 including filing the mortgage call report; establish internal  
7 audit requirements that are appropriate for the institution,  
8 and ensure appropriate independence to provide an unbiased  
9 evaluation of the institution's internal control structure,  
10 risk management, and governance; make the results of internal  
11 audits available to the administrator upon request; and ensure  
12 the institution establishes and maintains a risk management  
13 program that identifies, measures, monitors, and controls risk  
14 commensurate with the institution's size and complexity. The  
15 requirements for the risk management program are detailed in  
16 the bill. An institution is required to undergo an annual  
17 external audit and to conduct an annual risk management  
18 assessment, and make the results of each available to the  
19 administrator upon request. "External audit" and "risk  
20 management assessment" are defined in the bill.

21 The bill makes conforming changes to Code sections 535B.4  
22 and 535B.16.