



February 5, 2026

Paulette Sibblies-Flagg
Enforcement Bureau
New Jersey Department of Banking and Insurance
20 West State Street
PO Box 325
Trenton, NJ 08625-0325

CC Via Email: Troy.Dayton@dobi.nj.gov

Re: Request for Reconsideration - 2024 Annual Report Notices of Violation (AR25)

Dear Ms. Sibblies-Flagg:

The Mortgage Bankers Association of New Jersey (MBA of NJ),¹ the Mortgage Bankers Association of Eastern Pennsylvania (MBA of EPA)² and the national Mortgage Bankers Association (MBA),³ write to respectfully request the Department of Banking and Insurance (Department) reconsider the enforcement approach taken with respect to the 2024 annual report filing requirement for both Lenders Licenses Annual Report and the Mortgage Servicer License Annual report. Our organizations understand from the Enforcement Bureau that many mortgage lenders and servicers have received Orders

¹ The MBA of New Jersey is dedicated to promoting growth & ethical business practices in the real estate finance industry by serving as: an informative resource that provides ongoing communication; a forum for discussion, decision, and timely action on issues affecting our members' livelihood; a networking opportunity for establishing & nurturing successful business relationships; and, a representative voice in Washington, D.C. and Trenton. www.mbanj.com

² The Mortgage Bankers Association of Eastern Pennsylvania is a trade organization comprised of Mortgage Bankers, Mortgage Brokers, Banks, Credit Unions, Servicing companies and affiliated industry service providers. We have been the leading mortgage finance trade association in Pennsylvania since 1939. <https://www.mbaepa.com/>

³ 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.

and Notices of Violation for late filing of their 2024 annual reports, and that the Department is currently addressing a significant volume of inquiries from affected licensees.

Our organizations appreciate that these circumstances present challenges for the Department. However, we believe the unique facts surrounding the 2024 annual report filing cycle—combined with the disproportionate and cascading regulatory consequences that flow from formal Notices of Violation—warrant a more flexible administrative approach that would serve the interests of both the Department and the regulated community.

I. Industrywide Notification and System Issues Created Mutual Challenges

Our organizations have been tracking member reports regarding the 2024 annual report filing process and have documented an unusually high number of late filings and subsequent Notices of Violation among our membership. This pattern strongly suggests a systemic notification or communication issue rather than widespread individual lender negligence. Several contributing factors are evident:

- **Delayed Notification:** Notices for the 2024 annual report normally sent out in early January were not transmitted until several days before the filing requirements. This extraordinary delay created confusion among licensees who may have assumed, given the passage of time without notice, that their filings had been properly received and processed.
- **Department Website Issues:** Multiple members have reported that the Department's website portal for annual report submission was not updated and available to accept 2024 annual reports until approximately 48 hours before the May 1, 2025 deadline. When compared to approximately a month customarily available to file reports, this was an extremely compressed timeframe which prevented many licensees from completing their filings on time. It was especially challenging for those companies operating in multiple jurisdictions, who coordinate their state annual report filings over an extended period, to manage compliance workflows efficiently.
- **Email Notification Delivery Issues:** A significant number of our member companies have reported never receiving the reminder emails referenced in the Notices of Violation pertaining to the Mortgage Servicing Report. While these emails may have been sent to addresses on file with the Department, we are aware of instances where: (1) emails were filtered to spam folders due to bulk email delivery systems; (2) compliance officers had recently changed and email addresses had not been updated with the Department; and (3) general company email addresses listed with the Department were not routinely monitored by compliance personnel. The combination of these factors resulted in many licensees being genuinely unaware of the May 1, 2025 deadline until receiving enforcement notices in January 2026.
- **Confusion among Lender report vs Servicing report:** Some licensees were able to navigate the challenges in the lender report and, despite the website issue, filed

the lender report within the required time period as extended. However, due to the confusion of the lender report, the servicer report was not considered, causing an issue where the lender report was filed but the servicer report was not. Notification on the servicer report late filing was not sent to many lenders until June, 3, 2025. This notification, when sent, did not specify that it was the servicing report that was late, leading many licensees who had already filed the lending report to believe that the June 3rd notification was in error.

These circumstances indicate that the late filings resulted, at least in part, from challenges affecting both the Department and the regulated community. We believe this shared responsibility for the underlying filing difficulties along with the good faith efforts to comply by licensees should impact the Department's enforcement response.

II. The Disproportionate Cascading Consequences of Formal Violations

While our organizations recognize that the Department has statutory authority to issue Notices of Violation and impose civil monetary penalties for late annual report filings, we respectfully submit that the practical consequences of this enforcement mechanism create a "waterfall effect" of regulatory harm that is disproportionate to the underlying administrative infraction. Once a formal Notice of Violation is issued and becomes a Final Agency Decision, affected lenders face cascading regulatory and business consequences that far exceed the monetary penalty itself:

- **Federal Agency Reporting Requirements:** Lenders approved by the Department of Veterans Affairs (VA), the Federal Housing Administration (FHA/HUD), and the U.S. Department of Agriculture (USDA) must report all regulatory violations, consent orders, and enforcement actions to these federal agencies. A formal Notice of Violation that becomes a Final Agency Decision constitutes a reportable enforcement action. Federal agencies review these reports and may impose their own sanctions, including increased monitoring, loss of direct endorsement authority, probationary status, or even suspension from participation in federal affordable housing loan programs. For many lenders, federal agency approvals are essential to their business model, and adverse action by these agencies can have devastating operational and financial consequences.
- **Multi-State Regulatory Disclosure:** State licensed mortgage lenders typically operate in multiple states, often holding licenses in 20, 30, 40, or even all 50 states. Nearly every state regulatory agency requires disclosure of enforcement actions, consent orders, and violations taken by other states. A single Notice of Violation from New Jersey triggers disclosure obligations in every other jurisdiction where the lender is licensed. Each of those state regulators may then: (1) require detailed explanations and remediation plans; (2) impose additional reporting or monitoring requirements; (3) delay license renewals pending review; or (4) initiate their own enforcement inquiries. The administrative burden of managing these multi-state consequences can be overwhelming, particularly for smaller lenders with limited compliance staff.

- **Audited Financial Statement Disclosure:** Lenders are required to disclose material enforcement actions and contingent liabilities in their audited financial statements. A formal Notice of Violation must be disclosed to auditors and may need to be reflected in financial statement footnotes. This disclosure can raise concerns among warehouse lenders, investors, counterparties, and other business partners about the lender's regulatory compliance posture. In some cases, warehouse lenders have reduced credit lines or increased borrowing costs based on disclosed regulatory enforcement actions, even when the underlying violation is purely administrative in nature.
- **Secondary Market and Investor Impact:** Many mortgage lenders sell loans to secondary market investors or aggregators who conduct regular due diligence reviews. These investors frequently require disclosure of all regulatory enforcement actions and may view such actions as indicators of operational risk. Lenders with disclosed enforcement actions may face: (1) increased quality control audits; (2) reduced loan purchase commitments; (3) lower loan sale prices; or (4) temporary or permanent loss of investor relationships. For smaller lenders dependent on a limited number of investor relationships, loss of even one investor relationship can threaten business viability.
- **Reputational and Competitive Harm:** State enforcement actions are often publicly available through regulatory websites, NMLS records, or public records requests. Competitors, consumers, and business partners may discover these enforcement actions and draw negative conclusions about a lender's compliance culture or operational competence, even when the underlying violation was purely administrative and unrelated to consumer harm.

In sum, what begins as a relatively modest civil monetary penalty assessed by New Jersey—in many cases just a few thousand dollars—triggers a cascading series of regulatory, financial, and reputational consequences that can threaten a lender's entire business. This "waterfall effect" is entirely disproportionate to the nature of the underlying infraction, particularly when the late filing resulted from systemic notification issues rather than intentional disregard for regulatory obligations.

III. Many Affected Lenders Have Exemplary Long-Term Compliance Records

It is important to note that many of the lenders who received Notices of Violation for late 2024 annual report filings have maintained impeccable compliance records with the Department over many years or even decades of licensure. These are not habitual violators or lenders with patterns of regulatory non-compliance. Rather, they are responsible industry participants who have consistently met their regulatory obligations, including timely filing of annual reports in all prior years.

For these lenders, the 2024 annual report filing issue represents their first and only violation in their entire history with the Department. Our members believe that issuing such formal enforcement actions that will follow them throughout their business operations—requiring disclosure to federal agencies, disclosure to dozens of other state

regulators, and disclosure in audited financial statements—is unfair given the violation resulted from industrywide systemic issues rather than deliberate non-compliance.

MBA of NJ and MBA respectfully submit that a lender's long-term compliance history should be a significant factor in determining the appropriate enforcement response. Where a lender has demonstrated consistent compliance over many years, and where the current violation appears to be an isolated incident resulting from systemic notification and timing issues, a more calibrated and proportionate response is warranted.

IV. Proposed Alternative Approach: Administrative Late Fees Without Formal Violations

Considering the systemic issues that contributed to the late filings, the disproportionate cascading consequences of formal Notices of Violation, and the strong compliance records of many affected lenders, we respectfully request that the Department consider an alternative administrative approach for the 2024 annual report filing cycle:

Proposed Alternative: The Department could collect the monetary amounts currently specified in the penalty schedules as administrative late fees rather than as civil monetary penalties pursuant to formal Notices of Violation. Under this approach:

- Licensees would be required to pay the same dollar amounts currently specified in the penalty schedule, ensuring the Department recovers the costs associated with late filing processing;
- However, these payments would be characterized and documented as administrative late filing fees rather than civil monetary penalties pursuant to enforcement actions;
- The Department would not issue formal Notices of Violation that become Final Agency Decisions;
- Licensees would not be required to report these matters as enforcement actions to federal agencies (VA, FHA, USDA), other state regulators, or in audited financial statements;
- The Department would maintain internal records of late filings to track compliance history, and could consider repeat late filings in future enforcement decisions;
- This approach would achieve the Department's regulatory objectives (ensuring timely filing and recovering administrative costs) while avoiding the disproportionate collateral consequences that formal enforcement actions create for affected lenders.

This approach would be consistent with the principle of proportionate enforcement—tailoring the regulatory response to fit the severity of the violation and the circumstances that gave rise to it. It would also recognize the unique circumstances of the 2024 filing cycle, including the Department's own delayed issuance of enforcement notices and the documented website and notification issues that affected many licensees.

V. Conclusion and Request

The MBA of NJ, MBA of EPA, and MBA represent thousands of mortgage lenders and servicers nationwide, many of whom are licensed in New Jersey and have operated successfully in the state for decades. Our organizations have consistently advocated for strong regulatory oversight and appropriate enforcement of all state and federal lending laws. We are not requesting that the Department overlook violations or abandon its enforcement authority. However, we firmly believe that the enforcement response should be proportionate to the nature of the violation and the circumstances that gave rise to it. The 2024 annual report filing issue we believe presents extraordinary circumstances warranting a flexible, calibrated response that achieves the Department's regulatory objectives without imposing devastating collateral consequences on compliant lenders who were affected by systemic issues beyond their control.

We respectfully request that Commissioner and the Department's leadership review this matter and consider implementing the alternative administrative late fee approach outlined above for the 2024 annual report filing cycle.

We welcome the opportunity to discuss this matter with you at your earliest convenience and remain committed to working collaboratively with the Department to ensure robust regulatory oversight while supporting a healthy, competitive mortgage marketplace that serves New Jersey consumers.

Respectfully submitted,



Thomas Lynch AMP
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Gabriel Gillen
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cc: Troy Dayton, Investigator 3 (Supervisor), Enforcement Bureau