



## **2025 NAMFS Leadership Summit–Executive Brief**

### **Session: Compliance and Regulation**

This session examined the accelerating compliance burden facing mortgage servicing and property preservation. Discussion spanned federal and state oversight, Reg X changes, inspection fee scrutiny, fair housing exposure, local permit requirements, data privacy, and ways to leverage AI-driven quality assurance to prepare for audits and reduce chargebacks.

### **Key Points**

#### **Rising Cost of Compliance**

Regulatory expectations and audit preparedness impose significant financial pressure across the ecosystem. Field vendors often do not see the regulatory drivers behind chargebacks, creating disconnects that harm relationships and margins.

#### **Federal vs. State Oversight Shift**

While some expected reduced federal scrutiny, state regulators have increased activity often with less standardization complicating compliance for nationals and field vendors.

#### **Reg X & Loss Mitigation Changes**

Permanent loss mitigation rules (e.g., ML 25-6, effective Oct 1) extend modification cadence (one permanent mod per 24 months), retain partial claims, and increase borrower engagement requiring alignment of inspection timing and documentation.

#### **TCPA Consent Revocation & Communications**

Updated rules allow borrowers to revoke consent via multiple channels (email/voice/text). Servicers face a 10-day compliance window and cross-platform coordination challenges.

#### **UDAP/‘Junk Fee’ Exposure**

Inspection and preservation fees above investor allowances or outside allowed windows risk UDAP findings, fines, and penalties heightening servicer caution around inspections and foreclosure actions.

#### **Data Privacy & Audit Readiness**

Heightened standards demand strict protection of PII, vendor audits, and documentation trails. Vendors must be prepared for scorecards, and evidence requests at any time.



### **Inspection Fees & Proposed Rules**

Concerns over proposals that could push inspection costs out-of-pocket for servicers would cascade fee pressure downstream, threatening quality and network viability.

### **AI-Driven QA Opportunity**

AI can validate evidence before submission (e.g., verifying cubic yards from photos), flag missing documentation, and reduce manual review improving first-pass success and lowering chargeback risk.

### **Information-Sharing & Governance**

Participants discussed controlled, company-managed info pages (vs. open wikis) to host newsletters, standards, and updates without misinformation risk.

### **Local Permits & Codes**

City/county requirements (debris, licensing, specialty registrations) vary widely; failure to comply leads to violations. Systems should flag zip-code specific rules and prompt required evidence uploads.

### **CAFMD Bidding Requirements**

Formal guidance requires bidding the Commissioner's Adjusted Fair Market Value at foreclosure sale. This creates cash-flow, reimbursement, and legal risks; some servicers adjust conveyance strategies accordingly.

### **REO vs. Conveyance Tradeoffs**

Operational choices (auction vs. REO) hinge on profitability after expenses and reimbursement uncertainty; borrower education limits complicate decisioning.

### **Neighborhood Standards & Fair Housing**

Swinging between over-investment and under-maintenance creates fair-housing exposure. Consistent documentation and a defensible framework are essential to avoid disparate-impact claims.

### **SFR Compliance Risks**

Rapid SFR growth brings permit, licensing, and maintenance risks; inconsistent municipal rules (e.g., licenses conditioned on sales, permit enforcement) require standard setting and training.

### **Code Enforcement & Aesthetics**

Local code fines (e.g., grass cutting) can escalate quickly; initiative-taking strategies



balance aesthetics, investor expectations, and municipal compliance.

### **Communication Culture**

Transparent communication with regionals, nationals, and servicers about delays and constraints improves scorecards and trust.

## **Next Steps**

Explore publishing compliance bulletins summarizing federal and key state changes (Reg X, TCPA, UDAP/junk fees') with practical timelines and checklists.

Explore expanding a standardized documentation pack to include evidence photo lists, initial secure templates, bidder rationales, and audit trail requirements.

Explore an AI-QA pilot to pre-screen bids and inspections for evidentiary sufficiency (e.g., cubic yards, meter photos, permit proof) before servicer submission.

Explore a privacy & data-handling training module (PII, vendor scorecards, system access controls) and require annual attestations.

Explore a permit/code rules library with zip-code prompts and API hooks; require vendors to upload permits/receipts to qualify for reimbursement.

Explore issuance of fair-housing guidance and a defensible decision framework for maintenance standards; mandate written client-instruction retention.

Coordinate with industry associations to advocate inspection fees and CAFMD impacts; align comment letters and member talking points.

Explore creation of a borrower-contact best-practices toolkit (TCPA-compliant outreach, notice language, alternative contact channels).

Explore offering SFR-specific compliance training (permits, licensing, municipal nuances) and onboarding materials for cross-over vendors.



Explore scorecard-readiness audits for vendors, including mock audits and corrective-action plans.

Explore providing a controlled ‘company page’s template within partner platforms for distributing standards, newsletters, and policy updates.

Explore scheduling a quarterly compliance roundtable and a living FAQ to capture evolving questions from the field.

## **Summary Statement**

Compliance risk is intensifying across federal, state, and municipal layers. By standardizing documentation, deploying AI-assisted QA, tightening privacy controls, and improving communication, NAMFS members can reduce chargebacks, protect borrowers, and operate confidently amid regulatory changes.