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August 5, 2021

**INDUSTRY LETTER REGARDING FINANCIAL STATEMENTS FOR MORTGAGE
LENDERS AND MORTGAGE BROKERS IN MASSACHUSETTS**

To All Interested Parties:

The Division of Banks (the Division) has issued this Industry Letter to provide guidance regarding financial statements submitted to the Division by entities licensed as mortgage lenders, mortgage brokers and/or those entities who hold a mortgage company license number (covering both the mortgage lender and mortgage broker licenses) (Licensees) in Massachusetts.

Licensed mortgage lenders and mortgage brokers are required to submit financial statements annually through the Nationwide Multi-State Licensing System and Registry (NMLS) within 90 days of their fiscal year end. Mortgage lenders are also required to submit quarterly financial statements within 45 days of each of their quarter end dates.

Financial Statement Requirements for Mortgage Lenders

Pursuant to the Division's regulation at 209 CMR 42.03(2)(b) mortgage lenders are required to submit annual financial statements that have been **audited by an independent certified public account (CPA)**.

Annual Financial Statements

All annual financial statements submitted by mortgage lenders must meet the following criteria:

- Be prepared in accordance with generally accepted accounting principles (GAAP).
- Be audited by an independent certified public accountant.
- Be audited in accordance with GAAP.
- Financial statements must include, but not be limited to: a Balance Sheet, Income Statement, Statement of Cash Flows, Statement of Changes in Stockholders' Equity if relevant, and all other relevant notes thereto.
- For consolidated audited financial statements, the mortgage lender licensee must be the ultimate parent of the entity. If the mortgage lender is not the ultimate parent,

then the consolidated audited financial statements must also include a consolidating schedule with a separate breakdown of all consolidated entities, including the licensee.

Quarterly Financial Statements

Quarterly financial statements may be internally prepared by the mortgage lender and must meet the following criteria:

- Include a Balance Sheet, Income Statement, Statement of Cash Flow and Statement of Changes in Stockholders' Equity if relevant.
- Be signed by an officer of the mortgage lender with sufficient knowledge to attest to the accuracy of the information contained within the entire financial statement.

Financial Statement Requirements for Mortgage Brokers

Pursuant to the Division's regulation at 209 CMR 42.05(2)(b) mortgage brokers are required to submit annual financial statements that have been **audited or reviewed by an independent certified public accountant**. The mortgage broker must engage an independent CPA to complete the "review." The review cannot be completed by a mortgage broker's employee or management.

If a mortgage broker also holds a mortgage lender license, the mortgage lender financial statement requirements shall apply, as described above.

All annual financial statements submitted by mortgage brokers must meet the following criteria:

- Be prepared in accordance with GAAP.
- Be audited or reviewed by an independent certified public accountant.
- If submitting audited financial statements, such financial statements must be audited in accordance with GAAP.
- If submitting CPA reviewed financial statements, such review must be performed in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.
- Financial statements must include, but not be limited to: a Balance Sheet, Income Statement, Statement of Cash Flows and Statement of Changes in Stockholders' Equity, if relevant.
- If the audited or reviewed financial statements are consolidated, the Licensee must be the ultimate parent of the entity. If the Licensee is not the ultimate parent, then any consolidated audited or reviewed financial statements must also include a consolidating schedule with a separate breakdown of all consolidated entities, including the licensee.

Enforcement

A Licensee's failure to provide financial statements that meet the criteria described above may result in regulatory action, including but not limited to: suspension, nonrenewal, or revocation of a license; or the restriction of a Licensee's ability to apply for a license renewal through the NMLS.

Should you have any questions with regard to this Industry Letter, please contact Deputy Commissioner Kevin Cuff at (617) 956-1500 extension 61539, or kevin.cuff@mass.gov.

Sincerely,

A handwritten signature in blue ink that reads "Mary L. Gallagher". The signature is written in a cursive style with a large initial "M".

Mary L. Gallagher
Commissioner of Banks