



# NON-DEPOSITORY FINANCIAL INSTITUTIONS TODAY

Q1 2026

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*News and topics of interest to non-depository financial institutions  
regulated by the Department of Banking and Finance*

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In 2025, the Georgia General Assembly enacted prudential standard requirements for mortgage lenders, mortgage brokers, and covered servicers. These requirements went into effect on July 1, 2025. The Department has incorporated review of these new requirements into its examinations. In addition, the Department intends to review certain requirements upon renewal. Below, the Department has provided information on the three areas that mortgage licensees should review: corporate governance; net worth and liquidity; and financial statements and audits. The Department encourages all its licensees to be proactive and become compliant with these requirements so that no issues arise at renewal or during an examination.

## **CORPORATE GOVERNANCE AND OVERSIGHT**

O.C.G.A. § 7-1-1023(c) created requirements for the establishment of a Board of Directors for mortgage brokers and mortgage lenders. Generally, licensees shall establish and maintain a Board of Directors or a similar governing body whose responsibilities include the following:

1. Establishing a written corporate governance framework appropriate for the size, complexity, and risk profile of the mortgage lender or mortgage broker, including internal controls designed to monitor corporate governance and assess compliance with the corporate governance framework, and making such framework available to the Department upon request;
2. Monitoring and ensuring licensee's compliance with the corporate governance framework and with the provisions of the Georgia Residential Mortgage Act; and
3. Reporting, including the requirements for filing the Mortgage Call Report, in an accurate and timely manner.

It is the Department's expectation that licensees that do not have a formal Board, such as smaller mortgage brokers and mortgage lenders or covered servicers that have been granted approval by the appropriate government sponsored entities, will establish a similar governing body made up

of a group of individuals or a key person to fulfill the Board<sup>1</sup> role commensurate with the company's size, complexity, and risk profile. Board members must fulfill the essential role of establishing a safe and sound governance framework and providing active oversight for their company.

In carrying out its governance and oversight roles, the Board serves as an indispensable check and balance. To be effective leaders, Board members must not only develop a full understanding of their governance and oversight roles, but they must have a basic understanding of what the company does, what risks it faces, and how those risks are measured, monitored, and controlled. As the financial services industry and financial products evolve and become increasingly complex, maintaining a basic understanding of the activities, products, and services offered requires ongoing training throughout a Board member's term of service.

The Department recognizes that mortgage lenders and brokers vary in size, complexity, and risk profile with some only having a single owner with limited employees. Nevertheless, companies should document strategic direction through a formalized strategic plan, implement a risk management program, and develop appropriate policies and controls based on their size, complexity, and risk profile.

### **Strategic Planning**

A well-developed written strategic plan may include, but is not limited to, specific goals, financial targets, key milestones, actions to take and who is responsible for such actions, and target completion dates. The more complex the endeavor is, the more essential planning becomes not only in identification of the desired outcome, but the strategies to best achieve that desired outcome. Strategic planning also involves identification of potential impediments and contingencies that may arise to disrupt achievement of that desired outcome. Effective planning should be dynamic and iterative with frequent evaluation of results against expectations, reconsideration of strategies, revalidation of desired outcomes in a changing environment, and reassessment of impediments and contingencies.

Within the strategic planning process, companies should develop an appropriate budgeting process. An effective budgeting process includes, but is not limited to, both an income statement and balance sheet that are consistent with the overall strategic direction, the risk appetite of the Board, current and anticipated economic conditions, and information supporting the size and sophistication of the company.

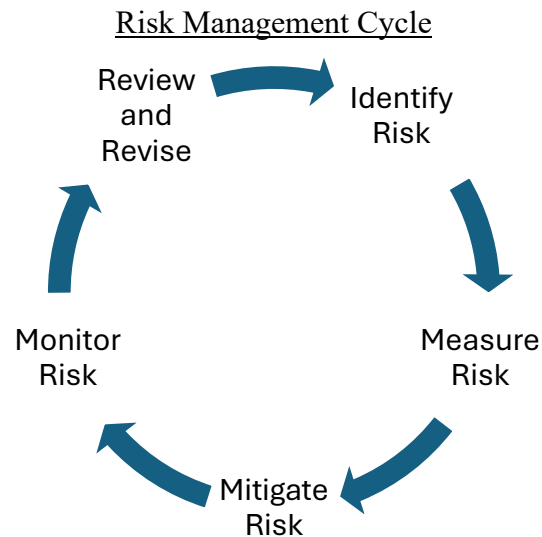
### **Risk Management Program**

An effective risk management program starts with appropriate risk assessments that include key areas of the company. It is the Department's expectations that companies develop risk assessments based on their activities, size, complexity, and risk profile. O.C.G.A §7-1-1023(f) requires mortgage lenders and mortgage brokers to conduct a risk management assessment on an annual basis concluding with a formal report to the Board. Risk assessments require proper

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<sup>1</sup> Board denotes a formal Board of Directors or similar governing body commensurate with a licensee's size, complexity, and risk profile, that is made up of a group of individuals or a key person that fulfills the role of a formal Board.

identification, measurement, analysis, and documentation of significant business activities, associated risks, and existing controls. The outcome of the risk assessment should then be used to assist management with internal audit/independent review frequencies, controls, policies, procedures, and strategic decisions. A third party may assist with the completion of a risk assessment or completed internally.



Per O.C.G.A. § 7-1-1023, the type of risk assessment will vary depending on the complexity of the organization, but be sufficiently robust to manage risks in several areas, including, but not limited to:

- (1) Credit risk: The potential that a borrower or counterparty will fail to perform on an obligation;
- (2) Liquidity risk: The potential that the mortgage lender or mortgage broker will be unable to meet its obligations as they come due because of an inability to liquidate assets or obtain adequate funding or that it cannot easily unwind or offset specific exposures;
- (3) Operational risk: The risk resulting from inadequate or failed internal processes, people, and systems or from external events;
- (4) Market risk: The risk to the mortgage lender or mortgage broker's condition resulting from adverse movements in market rates or prices;
- (5) Compliance risk: The risk of regulatory sanctions, fines, penalties, or losses resulting from failure to comply with laws, rules, regulations, or other supervisory requirements applicable to the mortgage lender or mortgage broker; and
- (6) Legal risk: The potential that actions against the mortgage lender or mortgage broker that result in unenforceable contracts, lawsuits, legal sanctions, or adverse judgments can disrupt or otherwise negatively affect the operations or condition of the licensee.

The components of a risk assessment may include, but are not limited to, the following for each area reviewed:

- Description of Risk
- Description of Impact
- Likelihood Rating or Inherent Risk Rating (high, medium, and low)
- Impact Rating (high, medium, and low)
- Control Risk Description
- Residual Risk Rating (high, medium, and low)

The company should define what high, medium, and low means for each type of review area rating. The type of risk assessment will vary depending on the company. See Appendix A for an example format of a basic risk assessment matrix.

### **Policies and Controls**

Once the Board has appointed the Chief Executive Officer or key officers, developed a strategic plan, and identified risks, effective governance and oversight is implemented by establishing an effective system of controls through policies, limits, and verification functions. Policies and procedures should be developed to control the identified risks. Policies and limits should align with the strategy and risk tolerance of the Board, establishing the control framework within which management is expected to operate. Policies should detail, at a minimum, management oversight, reporting structure, risk tolerances, minimum dollar thresholds, key ratios, reporting requirements, independent reviews, and how exceptions to policies will be addressed. Policies should cover key risk areas such as, but not limited to, liquidity and/or cash management, capital, asset quality, interest rate risk/hedging, audits (internal and external), information technology, loan underwriting/documentation, servicing, and Bank Secrecy Act.

Independent reviews/internal audits should be performed to verify that controls are effective, policies and procedures are being followed, and the Board is receiving appropriate reports. Verification functions such as internal audit, loan review, and the compliance department, serve as the Board's eyes and ears across the institution providing reasonable assurance that day-to-day operations are being conducted in accordance with the Board approved strategy, policies, and limits. In this context, effective and independent verification functions staffed by experienced, well trained, and capable individuals serve to protect the Board from a disconnect between the articulated strategy and risk tolerance and the actions of company personnel. Effective and independent validation functions support proactive oversight and position the Board to direct corrective actions in a timely manner to minimize disruptions to the company's operations and position the company for successful accomplishment of Board approved goals and objectives.

## APPENDIX A: BASIC RISK ASSESSMENT MATRIX<sup>2</sup>

### Name of Risk Review Area

| Description of Risk                                       | Likelihood of Occurrence | Impact/Severity of Occurrence | Inherent Risk Rating | Risk Mitigation/Controls                              | Effectiveness of Control | Residual Risk |
|---|--------------------------|-------------------------------|----------------------|---|--------------------------|---------------|
| Add Description of Risk That Falls Under Risk Review Area | Low                      | Medium                        | Medium               | Add Description of Controls in Place to Mitigate Risk | Weak                     | Medium        |
| Add Description of Risk That Falls Under Risk Review Area | Medium                   | High                          | High                 | Add Description of Controls in Place to Mitigate Risk | Strong                   | Low           |
| Add Description of Risk That Falls Under Risk Review Area | High                     | Low                           | Medium               | Add Description of Controls in Place to Mitigate Risk | Satisfactory             | Low           |
| Add Description of Risk That Falls Under Risk Review Area | Low                      | Low                           | Low                  | Add Description of Controls in Place to Mitigate Risk | Weak                     | Low           |
| Add Description of Risk That Falls Under Risk Review Area | Medium                   | Medium                        | Medium               | Add Description of Controls in Place to Mitigate Risk | Strong                   | Low           |

<sup>2</sup> The sample format is for illustrative purposes only. In the sample, the Inherent Risk Rating for each risk is derived from the ratings for Likelihood of Occurrence and Impact/Severity of Occurrence before controls are considered. The Residual Risk is the remaining risk after controls are considered. Ratings should be well defined and reviewed annually for any necessary updates. Risk assessments should be modified to fit a company's size, complexity, and risk profile. The greater the size, complexity, and risk profile, the more comprehensive the risk assessment should be.

## AUDIT AND FINANCIAL STATEMENTS

O.C.G.A. § 7-1-1010 amended the annual financial statement requirement for mortgage brokers and mortgage lenders. Generally, O.C.G.A. § 7-1-1010(a) provides that mortgage brokers must provide an unaudited financial statement in compliance with generally accepted accounting principles; however, the Department can require a mortgage broker to provide audited financial statements if it is necessary to determine compliance with the Georgia Residential Mortgage Act. Further, O.C.G.A. § 7-1-1010(b) provides that mortgage lenders must have an annual external audit of their books and records, which includes the provision of audited financial statements.

It is the Department's expectation that licensees comply with the statutory financial statement requirements. Based on the numerous examinations conducted by the Department since the law went into effect, many licensees satisfy the financial statement requirement. In the event a mortgage lender was not obtaining an external audit prior to July 1, 2025, the Department does not intend on citing a violation if July 1<sup>st</sup> falls in the midst of the fiscal year. However, the expectation is that the mortgage lender will comply when the fiscal year starts. For example, if a mortgage lender has not been obtaining external audits and its fiscal year starts on January 1, 2026, then the Department will expect an audit when the fiscal year is complete on December 31, 2026.

Further, for license renewal applications, the Department's review may verify that the financial statement requirement is satisfied. If it is not met, then the Department will likely issue a proposed notice of intent to deny renewal. For those licensees that do not currently satisfy the financial statement requirement, the Department encourages steps to be taken now to satisfy statutory requirements prior to renewal.

If you have any questions about the financial statement requirement or satisfying its provisions, please reach out to [NDFIDivision@dbf.state.ga.us](mailto:NDFIDivision@dbf.state.ga.us).

## **FINANCIAL CONDITION – NET WORTH AND LIQUIDITY**

O.C.G.A. § 7-1-1022(c) requires certain minimum financial thresholds for mortgage brokers, mortgage lenders, and covered servicers. Under O.C.G.A. § 7-1-1000(5.3) a covered servicer is, generally, a licensed mortgage lender that services 2,000 or more loans for other mortgage lenders excluding reverse mortgages and loans being interim serviced prior to sale.

O.C.G.A. § 7-1-1022(c) provides that mortgage brokers must maintain a net worth of \$50,000, mortgage lenders that are not covered servicers must maintain a net worth of \$100,000 and liquidity of \$1,000,000, and covered servicers must meet the capital, net worth, and liquidity requirements established by the Federal Housing Finance Agency (FHFA). The requirements set by FHFA are the minimum eligibility standards for the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) to have Fannie Mae or Freddie Mac purchase or guarantee home loans.

It is the Department's expectation that licensees comply with the minimum financial condition requirements. Based on the numerous examinations conducted by the Department since the law went into effect, many licensees satisfy the financial condition requirements. However, in the event an examination uncovers that a licensee does not satisfy these minimum financial conditions, then the Department will accept a financial condition restoration plan from the licensee. Any such restoration plan must detail achievable steps the licensee will take to satisfy the financial condition requirement in a timely fashion and provide for periodic reporting to the Department. The Department reserves the right to not accept a proposed financial condition restoration plan.

Further, for license renewal applications, the Department's review may verify that the minimum financial condition requirements are satisfied. If they are not met, then the Department will likely issue a proposed notice of intent to deny renewal. For those licensees that do not currently satisfy the minimum financial condition requirements, the Department encourages steps to be taken now to satisfy statutory requirements prior to renewal.

If you have any questions about the financial condition requirements or satisfying its provisions, please reach out to [NDFIDivision@dbf.state.ga.us](mailto:NDFIDivision@dbf.state.ga.us).

## APPROVED MORTGAGE LICENSEE TOTALS

The following is a summary of the number of non-depository licensees and registrants approved by the Department as of January 1, 2026.

| LICENSE TYPE | LICENSE NAME                              | INDUSTRY TYPE    | APPROVED TOTALS |
|--------------|---|------------------|-----------------|
| Company      | Georgia Mortgage Broker/Processor License | Mortgage         | 1299            |
| Company      | Georgia Mortgage Lender License           | Mortgage         | 970             |
| Company      | Georgia Money Transmitter License         | Money Services   | 250             |
| Company      | Georgia Check Casher License              | Money Services   | 648             |
| Company      | Georgia Installment Lender License        | Consumer Finance | 167             |
| Company      | Georgia Litigation Financier Registration | Consumer Finance | 18              |
| Branch       | Georgia Mortgage Branch                   | Mortgage         | 557             |
| Branch       | Georgia Check Casher Branch               | Money Services   | 848             |
| Branch       | Georgia Installment Lender Branch         | Consumer Finance | 561             |
| Individual   | Georgia Mortgage Loan Originator License  | Mortgage         | 23,301          |

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The Department is the state agency that regulates and examines Georgia state-chartered banks, state-chartered credit union, state-chartered trust companies, international banking organizations, and bank holding companies that own Georgia state-chartered financial institutions. The Department also has responsibility for the supervision, regulation, and examination of merchant acquirer limited purpose banks chartered in Georgia.

In addition, the Department has regulatory and/or licensing/registration authority over mortgage brokers, mortgage lenders, mortgage loan originators, consumer installment lenders, check cashers, money transmitters, and litigation financiers.

**Our Mission** is to promote safe, sound, competitive financial services in Georgia through innovative, responsive regulation and supervision.