



## Networked Supervision “Makes Us All Better”

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*CSBS is pleased to introduce a new blog series featuring staff across the state financial system who are going above and beyond to empower the multistate network for better supervision and industry compliance. Congratulations to our CSBS Networked Supervision Champions.*



“Networked Supervision makes us all better!”

Jeff Peterson is not shy about saying that up front. The senior financial services examiner is an enthusiastic supporter of the innovative supervisory approach that enables states to pool resources and expertise, streamlines the examination process for financial services companies, and offers greater protections to their customers.

During his seven years with the Nebraska Department of Banking and Finance’s Consumer Financial Services division, Jeff has seen the number of nationwide mortgage companies operating in the state soar. In many states, such rapid growth can challenge industry oversight, especially when coupled with an increase in cybersecurity threats to businesses and their customers.

[Networked Supervision](#), as deployed through the One Company, One Exam program, enhances coordination among state regulators, increases confidence in the work done by fellow state supervisors, and offers improved efficiency that leverages expertise across the state system.

**“One Company, One Exam”**

Launched by the Conference of State Bank Supervisors (CSBS) in 2021, One Company, One Exam is the result of collaboration with and among state examiners.

The process brings together a team of supervisors drawn from multiple states to conduct a single examination of a nationwide financial services company. The resulting report of examination may be leveraged by other states as the basis for their own supervisory work.

It allows states to combine resources and tap one another's expertise, a key consideration for smaller states like Nebraska. Networked Supervision produces multistate exams that Jeff can use as a complement to the division's work.

"We have approximately 200 mortgage lenders that do business in Nebraska," explains Jeff. With the One Company, One Exam process in place, I have a team of 50 states all working together."

### **Networked Supervision in Action**

Jeff's first exposure to the One Company, One Exam program for mortgage companies came shortly after the multistate exam protocol was initiated. That experience provided key lessons about the need to streamline the process. Initially, he says, "We bit off a little more than we could chew." The sheer number of examiners involved made the exam "almost too overarching."

One takeaway was to limit the number of states that participate in the One Company, One Exam process to approximately 10, while still providing other interested states the opportunity to accept and leverage the exam. Another was to perform separate, targeted examinations of origination and servicing activities.

Central to each multistate exam team is the examiner-in-charge (EIC), a role Jeff was asked to fill this past year during the review of a large mortgage lender with operations nationwide. His 27-member team included colleagues from 12 states.

The EIC assigns "areas of review" based on the experience and strengths of each team member or state.

"Normally, we [Nebraska] like to do the financials. Another state may take cybersecurity. We break out pieces of the compliance management system as well," says Jeff, pointing to the deep familiarity with state laws and federal requirements required to get the job done.

In making his assignments, Jeff encourages mentorship by pairing less experienced examiners with more seasoned team members.

“It helps the flow and helps those newer examiners get their feet wet on an exam – because it is a detailed process to learn,” Jeff noted.

The full exam process can take six to eight months, including the time it takes to plan and scope the exam, organize the team, formulate data requests, have the company reply, conduct examination work and arrange on-site meetings for the examiners, and then to write, review, and finalize reports and receive formal responses from the company.

As EIC, Jeff served as the vital single point of contact for the company. Before One Company, One Exam, a company could be inundated by multiple requests from different states, and in some cases for the same material.

“Having that primary point of contact not only with the company, but within our group makes the flow of information so much better,” Jeff explains.

### **Vital Role of CSBS Infrastructure**

The [State Examination System \(SES\)](#), provided by CSBS as a component of NMLS, is integral to the success of One Company, One Exam.

CSBS continually refines SES, a web-based application through which companies review, upload, and track requested documentation and by which the members of multistate exam team access requested files organized by area for review. SES relieves companies of the burden of providing duplicate copies of the same documents to multiple states and allows state regulators to conduct their entire review in a collaborative space.

CSBS also plays a key leadership role in coordinating One Company, One Exam through its Multi-State Mortgage Committee (MMC). Consisting of various state supervisors, the MMC tracks data such as market share, financial performance ratios, and consumer complaints to identify which companies to prioritize in the program and determines the membership of the multistate teams.

### **Benefits of “One Company, One Exam”**

Networked Supervision doesn't just respond to changes in the industry, but proactively advances the supervisory process.

Jeff offers as a proof point the high level of confidence all examiners have in the work produced by financial supervisors in other states.

“In those cases where we leverage the work of multistate exams, I can make what would be a 40-hour exam into a 20-hour exam,” Jeff says. It allows Nebraska examiners the time to focus on those issues most relevant to the type of operations a company has within the state.

Speaking for his fellow examiners, Jeff said, “We’re all getting more done!”

That’s true for the regulated companies, too. “We’re minimizing the amount of data requested and the time it takes for the company to pull and send the data. That saves them money and helps the company’s bottom line.”

But consumers are the ultimate winners, according to Jeff.

“I think when we get that many sets of eyes on a company, and especially a company doing a large volume of transactions, you can feel a lot more assured that the company is doing things the right way,” Jeff says. “Consumers are taken care of. They know they're not getting overbilled and know that their data is safe.”

*Do you want to recognize a Networked Supervision Champion? Let us know by sending an email to [communications@csbs.org](mailto:communications@csbs.org).*

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