SASB STANDARDS
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Mortgage Finance

Sustainability Accounting Standard

FINANCIALS SECTOR

Sustainable Industry Classification System® (SICS®) FN-MF

Under Stewardship of the International Sustainability Standards Board

INDUSTRY STANDARD | VERSION 2023-12

IFRS Sustainability

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ABOUT THE SASB STANDARDS

As of August 2022, the International Sustainability Standards Board (ISSB) of the IFRS Foundation assumed responsibility for the SASB Standards. The ISSB has committed to maintain, enhance and evolve the SASB Standards and encourages preparers and investors to continue to use the SASB Standards.

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) requires entities to refer to and consider the applicability of disclosure topics in the SASB Standards when identifying sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects. Similarly, IFRS S1 requires entities to refer to and consider the applicability of metrics in the SASB Standards when determining what information to disclose regarding sustainability-related risks and opportunities.

In June 2023, the ISSB amended climate-related topics and metrics in the SASB Standards to align them with the industry-based guidance accompanying IFRS S2 *Climate-related Disclosures*. In December 2023, the ISSB amended the non-climate-related topics and metrics in connection with the International Applicability of SASB Standards project.

Effective Date

This version 2023-12 of the Standard is effective for all entities for annual periods beginning or after January 1, 2025. Early adoption is permitted for all entities.

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INTRODUCTION

Overview of SASB Standards

The SASB Standards are a set of 77 industry-specific sustainability accounting standards ("SASB Standards" or "Industry Standards"), categorised pursuant to the Sustainable Industry Classification System® (SICS®).

SASB Standards include:

1. **Industry descriptions** – which are intended to help entities identify applicable industry guidance by describing the business models, associated activities and other common features that characterise participation in the industry.

2. **Disclosure topics** – which describe specific sustainability-related risks or opportunities associated with the activities conducted by entities within a particular industry.

3. **Metrics** – which accompany disclosure topics and are designed to, either individually or as part of a set, provide useful information regarding an entity's performance for a specific disclosure topic.

4. **Technical protocols** – which provide guidance on definitions, scope, implementation and presentation of associated metrics.

5. **Activity metrics** – which quantify the scale of specific activities or operations by an entity and are intended for use in conjunction with the metrics referred to in point 3 to normalise data and facilitate comparison.

Entities using the SASB Standards as part of their implementation of ISSB Standards should consider the relevant ISSB application guidance.

For entities using the SASB Standards independently from ISSB Standards, the *SASB Standards Application Guidance* establishes guidance applicable to the use of all Industry Standards and is considered part of the Standards. Unless otherwise specified in the technical protocols contained in the Industry Standards, the guidance in the SASB Standards Application Guidance applies to the definitions, scope, implementation, compilation and presentation of the metrics in the Industry Standards.

Historically, the *SASB Conceptual Framework* set out the basic concepts, principles, definitions and objectives that guided the SASB Standards Board in its approach to setting standards for sustainability accounting.

Use of the Standards

SASB Standards are intended to aid entities in disclosing information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. An entity determines which Industry Standard(s) and which disclosure topics are relevant to its business, and which associated metrics to report. In general, an entity should use the SASB Standard specific to its primary industry as identified in SICS® . However, companies with substantial business in multiple SICS® industries should refer to and consider the applicability of the disclosure topics and associated metrics in additional SASB Standards.

The disclosure topics and associated metrics contained in this Standard have been identified as those that are likely to be useful to investors. However, the responsibility for making materiality judgements and determinations rests with the reporting entity.

Industry Description

The Mortgage Finance industry provides an essential public good by enabling consumers to purchase homes and contributing to the overall home ownership rate. Entities in the industry lend capital to individual and commercial customers using property as collateral. The primary products are residential and commercial mortgages, while other services offered include mortgage servicing, title insurance, closing and settlement services, and valuation. In addition, mortgage finance entities own, manage and finance real estate-related investments such as mortgage pass-through certificates and collateralised mortgage obligations. Recent trends in the regulatory environment indicate a significant shift towards consumer protection, disclosure and accountability. Regulatory changes made in response to the global 2008 financial crisis demonstrate the potential for further alignment between the interests of society and those of long-term investors.

SUSTAINABILITY DISCLOSURE TOPICS & METRICS

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Lending Practices	(1) Number and (2) value of residential mortgages of the following types: (a) combined fixed- and variable-rate, (b) prepayment penalty, and (c) total	Quantitative	Number, Presentation currency	FN-MF-270a.1
	(1) Number and (2) value of (a) residential mortgage modifications, (b) foreclosures, and (c) short sales or deeds in lieu of foreclosure	Quantitative	Number, Presentation currency	FN-MF-270a.2
	Total amount of monetary losses as a result of legal proceedings associated with communications to customers or remuneration of loan originators [1]	Quantitative	Presentation currency	FN-MF-270a.3
	Description of remuneration structure of mortgage loan originators	Discussion and Analysis	n/a	FN-MF-270a.4
Discriminatory Lending	(1) Number, (2) value, and (3) weighted average loan-to-value ratio of mortgages issued to (a) minority and (b) all other borrowers	Quantitative	Number, Presentation currency, Percentage (%)	FN-MF-270b.1
	Total amount of monetary losses as a result of legal proceedings associated with discriminatory mortgage lending [2]	Quantitative	Presentation currency	FN-MF-270b.2
	Description of policies and procedures for ensuring non-discriminatory mortgage origination	Discussion and Analysis	n/a	FN-MF-270b.3
Environmental Risk to Mortgaged Properties	(1) Number and (2) value of mortgage loans in 100-year flood zones	Quantitative	Number, Presentation currency	FN-MF-450a.1
	(1) Total expected loss and (2) Loss Given Default (LGD) attributable to mortgage loan default and delinquency because of weather-related natural catastrophes, by geographical region	Quantitative	Presentation currency, Percentage (%)	FN-MF-450a.2
	Description of how climate change and other environmental risks are incorporated into mortgage origination and underwriting	Discussion and Analysis	n/a	FN-MF-450a.3

[1] Note to **FN-MF-270a.3** – The entity shall briefly describe the nature, context and any corrective actions taken because of monetary losses.

[2] Note to **FN-MF-270b.2** – The entity shall briefly describe the nature, context and any corrective actions taken because of monetary losses.

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
(1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial	Quantitative	Number, Presentation currency	FN-MF-000.A
(1) Number and (2) value of mortgages purchased by category: (a) residential and (b) commercial	Quantitative	Number, Presentation currency	FN-MF-000.B

Lending Practices

Topic Summary

The approach mortgage finance entities take when incentivising employees and how they communicate with customers is important for more than one reason. First, the incentive structures and compensation policies of loan originators may unintentionally encourage them to promote lending products and services unsuitable for their clients. Second, a lack of transparency provided to customers with respect to primary and add-on products may impair an entity's reputation and invite regulatory scrutiny and costly litigation. Finally, as a consequence, the resulting client portfolios may contain a high concentration of risky products sold. Also, laws and regulations restricting predatory lending may prohibit mortgage originators from receiving compensation tied to loan value and may require additional disclosures be provided to borrowers. Entities that develop transparent information, give fair advice to customers and clearly disclose their lending practices may assist shareholders in determining which entities better protect shareholder value.

Metrics

FN-MF-270a.1. (1) Number and (2) value of residential mortgages of the following types: (a) combined fixed- and variable-rate, (b) prepayment penalty, and (c) total

1 The entity shall disclose the (1) number and (2) value of residential mortgage loans held in the entity's portfolio of these types: (a) combined fixed- and variable-rate, (b) prepayment penalty, and (c) total.

1.1 Combined fixed- and variable-rate mortgages are mortgages with contracts that include a fixed and a variable-interest rate period that may be defined by a reset date, an exercisable option, or other clause.

1.1.1 The scope of the disclosure shall include mortgages that have interest rate resets of less than five years, negative amortisation, or interest-only payment schedules.

1.1.2 Interest-only mortgages are defined as single-family residential mortgages with scheduled repayments of interest-only for a specified period.

1.1.3 Negative amortisation mortgages are defined as single-family residential mortgages where the borrower only pays a portion of the total amount of interest incurred over a given period, and the remaining amount of interest is added to the principal balance.

1.2 Prepayment penalties are defined as mortgages that have a monetary fee, penalty or expense charged because the customer settles all or part of the mortgage balance prior to the end of the contract term.

1.3 Total is the total number of single-family residential mortgages held in the entity's loan portfolio.

2 The number of mortgages shall include the absolute number of first lien single-family residential mortgages and junior lien single-family residential mortgages that the entity holds as loan assets.

2.1 The scope of the disclosure includes home equity lines of credit and home equity loans.

3 The entity may further disaggregate its disclosure by customer characteristics such as creditworthiness.

4 The entity may summarise the disclosure in this table:

Table 3. Number and Loan Value of Residential Mortgage Types

	NUMBER	LOAN VALUE
Combined fixed- and variable-rate (rate resets of less than 5 years)		
Prepayment Penalty		
Total Residential Mortgages		

FN-MF-270a.2. (1) Number and (2) value of (a) residential mortgage modifications, (b) foreclosures, and (c) short sales or deeds in lieu of foreclosure

1 The entity shall disclose the (1) number and (2) value of (a) modifications, (b) foreclosures, and (c) short sales or deeds in lieu of foreclosure held in the entity's loan portfolio of first lien and junior lien single-family residential mortgages during the reporting period.

1.1 Modifications are defined as mortgages that change from their original terms. The change could be in the principal amount, payment amount, loan term length, or interest rate (for example, a rate reduction, or change from a variable- to a fixed-rate mortgage).

1.2 Foreclosures are defined as instances in which a borrower has defaulted on a mortgage and the sale of the underlying property asset is forced through legal or statutory means.

1.2.1 The scope of the disclosure shall include single-family residential real estate assets that entered foreclosure during the reporting period, regardless of whether they were sold or held for sale.

1.3 Short sales are defined as transactions in which the entity agrees to accept less than the full amount of the debt owed by the borrower and releases its lien on the asset.

1.4 A deed in lieu of sale is defined as a property asset for which the borrower conveys all interest to the entity to satisfy a mortgage loan that is in default to avoid foreclosure.

2 The entity may further disaggregate its disclosure by customer characteristics such as creditworthiness.

3 The entity may summarise the disclosure in this table:

Table 4. Number and Loan Value of Modifications, Foreclosures and Short Sales or (Deeds in Lieu)

	NUMBER	LOAN VALUE
Modification		
Foreclosure		
Short sale/deed in lieu		

FN-MF-270a.3. Total amount of monetary losses as a result of legal proceedings associated with communications to customers or remuneration of loan originators

1 The entity shall disclose the total amount of monetary losses incurred during the reporting period resulting from legal proceedings associated with communications to customers or remuneration of mortgage loan originators.

2 The legal proceedings shall include any adjudicative proceeding involving the entity, whether before a court, a regulator, an arbitrator or otherwise.

3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement, verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (for example, civil judgements or settlements), regulatory proceedings (for example, penalties, disgorgement or restitution) and criminal actions (for example, criminal judgements, penalties or restitution) brought by any entity (for example, governmental, business or individual).

4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defence.

5 Mortgage loan originators are defined as persons who, for compensation or other monetary gain, or in expectation of compensation or other monetary gain, arrange, negotiate or otherwise obtain an extension of consumer credit for another person.

5.1 The scope of the disclosure includes the entity's employees involved in origination of residential and commercial mortgage and home equity loans.

6 The scope of the disclosure shall include legal proceedings associated with enforcement of applicable jurisdictional laws or regulations.

Note to **FN-MF-270a.3**

1 The entity shall briefly describe the nature (for example, judgement or order issued after trial, settlement, guilty plea, deferred prosecution agreement or non-prosecution agreement) and context (for example, fraud, disclosure to clients or employee compensation) of all monetary losses resulting from legal proceedings.

2 The entity shall describe any corrective actions implemented in response to legal proceedings. This may include specific changes in operations, management, processes, products, business partners, training or technology.

FN-MF-270a.4. Description of remuneration structure of mortgage loan originators

1 The entity shall disclose how the remuneration of mortgage loan officers relates to the terms and conditions of loans, such as the size of the mortgage loan, interest rates, up-front points or fees or the ability of the loan to be securitised.

2 The entity shall describe relevant aspects of the remuneration structure, including the use of bonuses, commissions, pooled compensation, profit-sharing or other financial incentives for mortgage loan originators, officers or brokers.

2.1 The entity shall consider remuneration provided directly to the mortgage loan originator from a consumer to be within the scope of the disclosure.

3 The discussion shall include:

3.1 the regulatory environment regarding employee remuneration in which the entity operates and whether it is required to have specific remuneration policies in place, in which the entity shall discuss whether its remuneration policies are the result of entity requirements or are adopted voluntarily as industry best practices;

3.2 the performance objectives for the institution, business areas and staff;

3.3 the methods for the measurement of performance, including the performance criteria; and

3.4 the structure of variable remuneration, including, if applicable, the instruments in which parts of the variable remuneration are awarded.

4 Mortgage loan originators are defined as persons who, for compensation or other monetary gain, or in expectation of compensation or other monetary gain, arrange, negotiate or otherwise obtain an extension of consumer credit for another person.

4.1 The scope of the disclosure includes the entity's employees involved in origination of residential and commercial mortgage and home equity loans.

Discriminatory Lending

Topic Summary

The Mortgage Finance industry aggregates data to determine loan terms and conditions including important provisions such as loan size, interest rate, up-front points or other fees. However, the complex process may result in intentional or unintentional discriminatory lending practices by the mortgage originator. Discriminatory lending may result in fines or settlements for violations of regulations, increased reputational risk, and negative financial performance because of loan mispricing. Disclosing internal processes to ensure non-discriminatory lending, disclosing the amount of mortgage lending categorised by minority status along with relevant financial characteristics, and disclosing the amount of monetary losses resulting from legal proceedings associated with violations of applicable laws and regulations may help investors assess entity performance. Entities in the Mortgage Finance industry may reduce the risk of discriminatory lending, including unintended discriminatory lending, by implementing strong processes, enforcing internal controls, and proactively monitoring their loan portfolio, among other techniques.

Metrics

FN-MF-270b.1. (1) Number, (2) value, and (3) weighted average loan-to-value ratio of mortgages issued to (a) minority and (b) all other borrowers

1 The entity shall disclose the (1) number, (2) value and (3) weighted average loan-to-value ratio of mortgage loans held in the entity's portfolio that are issued to (a) minority and (b) all other borrowers.

1.1 Minority is defined according to the United Nations Office of the High Commissioner for Human Rights' Special Rapporteur on minority issues as any group of persons which constitutes less than half of the population in the entire territory of a state whose members share common characteristics of culture, religion or language, or a combination of any of these. A person can belong freely to an ethnic, religious or linguistic minority without any requirement of citizenship, residence, official recognition or any other status.

1.2 For mortgage applications where the applicant is of one or more race or ethnicity the entity shall categorise the mortgage as 'minority'.

1.3 For mortgage applications where there is more than one applicant and the primary or first co-applicant is categorised as 'minority', the mortgage shall be categorised as 'minority'.

1.4 Entities that operate in more than one jurisdiction shall categorise applicants as 'minority' or 'all other borrowers' based on the jurisdiction in which the applicant applied for the loan.

1.5 Loan-to-value ratio shall be calculated in accordance with applicable jurisdictional legal or regulatory requirements. The entity shall disclose the applicable jurisdictional legal or regulatory requirements used for the calculation.

1.6 The entity shall calculate the weighted average loan-to-value ratio by weighting each loan-to-value ratio by the respective loan amount and then dividing the sum of the weighted loan-to-value ratios by the total loan amount.

2 The scope of the disclosure includes first lien and junior lien single-family residential mortgages the entity held in its loan portfolio at the end of the reporting period, including those originated and purchased by the entity.

2.1 The scope of the disclosure includes home equity lines of credit or home equity loans.

3 The entity may further disaggregate its disclosure of 'minority borrowers' and 'all other borrowers' by creditworthiness.

4 The entity may summarise the disclosure in this table:

Table 5. Number, Value and Weighted Loan-to-value by Borrower Type

	MINORITY BORROWERS	ALL OTHER BORROWERS
Number		
Value		
Weighted Average loan-to-value		

FN-MF-270b.2. Total amount of monetary losses as a result of legal proceedings associated with discriminatory mortgage lending

1 The entity shall disclose the total amount of monetary losses incurred during the reporting period resulting from legal proceedings associated with actual or alleged discriminatory mortgage lending.

2 The legal proceedings shall include any adjudicative proceeding involving the entity, whether before a court, a regulator, an arbitrator or otherwise.

3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement, verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (for example, civil judgements or settlements), regulatory proceedings (for example, penalties, disgorgement or restitution) and criminal actions (for example, criminal judgements, penalties or restitution) brought by any entity (for example, governmental, business or individual).

4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defence.

5 The scope of the disclosure shall include legal proceedings associated with enforcement of non-discriminatory lending provisions of applicable jurisdictional laws or regulations.

Note to **FN-MF-270b.2**

1 The entity shall briefly describe the nature (for example, judgement or order issued after trial, settlement, guilty plea, deferred prosecution agreement or non-prosecution agreement) and context (for example, fraud, disclosure to clients or employee compensation) of all monetary losses resulting from legal proceedings.

2 The entity shall describe any corrective actions implemented in response to legal proceedings. This may include specific changes in operations, management, processes, products, business partners, training or technology.

FN-MF-270b.3. Description of policies and procedures for ensuring non-discriminatory mortgage origination

1 The entity shall describe relevant policies and procedures that ensure non-discriminatory mortgage origination resulting in comparable terms and conditions of loans, including the size of the mortgage, interest rates, discount points or fees.

1.1 Discriminatory mortgage origination is defined as discrimination (a) on the basis of race, colour, religion, national origin, sex, marital status or age; or (b) because all or part of the applicant's income derives from any public assistance programme.

1.2 Discount points are defined as fees paid directly to the lender at closing in exchange for a reduced interest rate.

2 Relevant policies and procedures include:

2.1 internal controls, such as ensuring adequate training of originators, processors, underwriters and collection staff, adequate documentation, and recordkeeping;

2.2 monitoring of loan portfolio on race, gender, ethnicity and other factors; and

2.3 disclosures to borrowers.

Environmental Risk to Mortgaged Properties

Topic Summary

An increase in the frequency of extreme weather events associated with climate change may have an adverse impact on the Mortgage Finance industry. Specifically, hurricanes, floods and other climate change-related events have the potential to result in missed payments and loan defaults, while also decreasing the value of underlying assets. Entities which incorporate climate-related risks into lending analysis may be better positioned to create value over the long-term.

Metrics

FN-MF-450a.1. (1) Number and (2) value of mortgage loans in 100-year flood zones

1 The entity shall disclose the (1) number and (2) value of mortgage loans in the entity's portfolio underwritten on properties located in 100-year flood zones.

1.1 100-year flood zones are defined as land areas subject to a 1% or greater chance of flooding in any given year. Such areas also may be referred to as being subject to the 1% annual chance flood, the 1% annual exceedance probability flood or the 100-year flood.

1.1.1 Examples of 100-year flood zones may include coastal flood plains, flood plains along major rivers and areas subject to flooding from ponding in low-lying areas.

2 The scope of disclosure shall include all the entity's mortgage loans underwritten on properties located in 100-year flood zones, regardless of the country of their location.

2.1 The scope of mortgage loans shall include those first mortgages (1–4 family) and junior lien (1–4 family second mortgages or home equity lines of credit) loans that the entity holds as loan assets.

2.2 The scope of mortgage loans shall exclude mortgages held for sale, mortgage-backed securities and mortgages serviced by the entity.

FN-MF-450a.2. (1) Total expected loss and (2) Loss Given Default (LGD) attributable to mortgage loan default and delinquency because of weather-related natural catastrophes, by geographical region

1 The entity shall disclose the (1) total expected loss and (2) Loss Given Default (LGD), as a percentage, attributable to mortgage loan default and delinquency because of weather-related natural catastrophes.

1.1 Expected loss is defined and calculated as the sum of the values of all the possible losses for the entity's mortgage loans, each multiplied by the probability of that loss occurring.

1.2 LGD is defined as the share of an asset lost in the situation of default.

1.3 Weather-related natural catastrophes include:

1.3.1 Meteorological events (for example, hurricanes and storms)

1.3.2 Hydrological events (floods)

1.3.3 Climatological events (for example, heat waves, cold waves, droughts, and wildfires)

1.4 Weather-related natural catastrophes exclude geophysical events (for example, earthquakes and volcanic eruptions).

2 The entity shall break down its disclosure by geographical region.

2.1 Applicable regions are determined by the entity.

FN-MF-450a.3. Description of how climate change and other environmental risks are incorporated into mortgage origination and underwriting

1 The entity shall describe how it has incorporated climate change and other environmental risks into its mortgage origination and underwriting processes.

1.1 The mortgage origination process is defined broadly as all the steps in a mortgage transaction between a lender and a borrower, which may include application, processing and underwriting.

1.2 The scope of climate change and other environmental risks may include:

1.2.1 The increased frequency and severity of weather-related natural catastrophes, including meteorological events (for example, hurricanes and storms), hydrological events (floods) and climatological events (for example, heat waves, cold waves, droughts and wildfires)

1.2.2 The occurrence of geophysical events (for example, earthquakes and volcanic eruptions)

2 The entity shall disclose how and if these risks affect its origination models and decisions.

2.1 The scope of disclosure may include:

2.1.1 How the risk impacts the valuation of collateral, such as accounting for inherent risks resulting from location or assessing for the implementation of basic adaptive measures (for example, reinforcement or hurricane shutters)

2.1.2 How natural disaster risks affect credit risk analysis, including if the entity assumes that increases in natural disaster frequency and severity will increase the likelihood of default because of properties being un-insured or under-insured

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