



Mortgage Industry Bulletin

OCC Issues Interim Report Card on Servicers

November 23, 2011 — More than 4 million borrowers have received notification letters in the past two weeks from mortgage servicers inviting them to report financial injury that might have been suffered as the result of a foreclosure action in 2009 or 2010. In the letters, borrowers are told how they can request a review of their circumstances if they felt they were unfairly impacted by the 14 largest national mortgage servicers.

According to the OCC (Office of the Comptroller) that regulates 12 of the 14 largest mortgage servicers that are under Consent Orders from April of 2011, work is slowly progressing to enhance servicing operations, strengthen oversight of third-party service providers, improve management information systems, assess and manage risk, and ensure compliance with existing and new laws and regulations.

In the Interim Report [\[1\]](#) issued yesterday, the OCC identified the independent consultants that were retained to work with each servicer and the stipulations that are governing the massive independent review projects. Each bank was required to have a comprehensive action plan (extensive and tremendously resource-intensive) to develop and implement corrections to the Consent Order mortgage servicing deficiencies. Areas that have made the most progress include correcting deficiencies in the foreclosure process, improving internal audit procedures and expanded management oversight.

Those borrowers that believe they experienced financial harm resulting from errors, misrepresentations or other deficiencies in foreclosure actions can request a review of their circumstances if their loan was in foreclosure in 2009 & 2010; if the home was their primary residence; and if the loan was serviced by one of the named servicers. Regulators required independent consultants to perform the borrower reviews, and even disqualified a number of firms that applied for the work because of past relationships. One point made clear by the OCC is that the servicer's employees will not have any influence over the findings or recommendations of the review determinations.

A single claims processing center has been established for all the servicers to ensure consistency with the initial review request deadline set for April 30, 2012. In addition to the first round of letters and efforts to forward returned mail, an electronic and print media campaign will kick in during the 2011 holiday season. Consumer groups will also be enlisted and paid to augment the outreach efforts, especially for military families.

Included in the report are references to servicer improvements in the areas of single point of contact; written communications; training; complaint response and tracking; crediting payments; and document maintenance. Also noted was improvement in the oversight of third-party service providers related to due diligence and regular, periodic evaluations. New policies and enhanced procedures for assessing capabilities and risks were coupled with specific work standards to ensure more consistent results.

With a minimum of three bank directors required to serve on a compliance committee, plans at each bank have been approved to address financial and personnel resources, organizational structure, and specific control enhancements for document accuracy and ownership. In most of the banks under the Consent Orders, there has been an increase in the number of people responsible for conducting audits and monitoring compliance. Additional staff has been provided to the mortgage servicing departments to handle the increased complexity. In many cases previously outsourced work has been brought in-house and specially trained personnel handle the needs of military families covered under the Servicemembers Civil Relief Act (SCRA).

Although the OCC released the engagement letters that included how the independent consultants would carry out the file reviews, much of the information was redacted to protect proprietary materials. These continuing processes are viewed as a reflection of the national mortgage servicing standards that have been introduced, but not yet implemented, by the CFPB (Consumer Financial Protection Bureau).

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[1] A link is provided below to the OCC Interim Foreclosure Review:

<http://www.occ.gov/news-issuances/news-releases/2011/nr-occ-2011-139a.pdf>

This information offers speculative insight into possible controls impacting the mortgage servicing industry. Loan Protector provides this information as a service to our clients. A link is provided to a URL for the indicated materials, but Loan Protector is not responsible for the content of these sites. Information provided by Loan Protector Insurance Services, a Willis North America Company. Contact Ken Evans, 440-505-6099.

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