



Mortgage Industry Bulletin

Comprehensive Servicing Standards

April 15, 2011 — John Walsh, Acting Comptroller of the Currency (OCC), yesterday delivered a speech [\[1\]](#) that affords tremendous insight behind the headlines of the Cease and Desist Orders issued this week against 14 of the largest mortgage servicers in the nation. Highlighted in the next paragraph is the process already underway to set industry-wide servicing standards.

Closely following publication of the Orders, Walsh noted that “the OCC and the Fed separately proposed comprehensive servicing standards that are now the subject of talks, not only among the bank regulatory agencies, but the Federal Housing Agency (FHA) and Consumer Financial Protection Bureau (CFPB). By bringing in additional agencies we have the opportunity to extend standards to the nonbank sector as well.”

These new standards are intended to not only improve governance and oversight, but enhance staffing and the use of technology, and require improvements in training. They will strengthen accountability and responsiveness to the needs of borrowers, ensure that troubled homeowners are offered a full range of loss mitigation options prior to a foreclosure action, and require improved communications with borrowers and a robust complaint resolution process.

According to Walsh, “the deficiencies we found were serious and totally unacceptable, and they will be dealt with in a serious and meaningful way.” Also in his speech, Walsh talked about the penalties that might follow. “As we gather additional information from continuing exam work and the look-back about the extent of harm from processing failures,” he said, “this will form our decision on Civil Money Penalties.”

In the wake of the Orders, Walsh acknowledged there would be pain in the servicing industry. “We found significant deficiencies that represent not only unsafe and unsound practices, but a breakdown in the way customers are treated,” he said. “This is a very serious problem that servicers are going to have to do substantial work and absorb substantial expense to fix.”

Setting the stage for the future, Walsh offered his thoughts on how foreclosure processing should work and how regulating agencies expect it to work going forward. He explained that homeowners have the right to expect transparency, accessibility and fairness from lenders, especially when a borrower is experiencing financial difficulty. In addition, he stated the look-back provisions in the Orders were an open-ended obligation, with no dollar cap, that would be supervised very closely by the regulators.

In his speech, Walsh also noted that each of the federal and state agencies involved in the task of fixing the problems is working in partnership, as well as on their own as necessary. “The simple answer is that we all have our jobs to do,” he said, “and while we fully supported the goal of reaching simultaneous conclusions to our various enforcement actions, having established the scope of problems in our area of jurisdiction, the bank regulators had to move forward.”

Walsh was clear that the actions by the OCC this week are just the start of the work ahead. “One of the lessons of the foreclosure crisis,” stated Walsh, “is that we need comprehensive servicing standards that apply to all servicers everywhere in the country.”

Despite the media rush this week regarding the foreclosure crisis and new mortgage servicing standards, the topic of force-place insurance is still only evidenced in the proposed Settlement from the 50 states attorney generals and requirements already included in the Dodd-Frank Act.

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[1] <http://www.occ.gov/news-issuances/speeches/2011/pub-speech-2011-49.pdf>

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