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Waters Calls on Regulators to Ensure Mortgage Servicers Continue to Protect Homeowners

February 19, 2014

WASHINGTON, D.C. – Following widespread concern over the actions of a number of independent mortgage servicers, **Congresswoman Maxine Waters** (D-CA), top Democrat on the Financial Services Committee, has called on government regulators to take action that will protect homeowners from abuses that have led to stalled modifications, excess fees and even foreclosure.

In a letter to Comptroller of the Currency Thomas Curry and Monitor of the National Mortgage Settlement (Settlement) Joseph Smith, Waters urged careful scrutiny of the sale of mortgage servicing rights from banks to nonbank servicers. Specifically, she asked that before approving the sale of mortgage servicing rights, regulators must ensure that non-bank servicers are able to handle the increased volume in loans –and that homeowners remain protected by the terms of the 2012 National Mortgage Settlement.

Waters expressed concern about the transfer of mortgage servicing rights to nonbank servicers not subject to the Settlement, thereby eliminating important protections.

Waters wrote, "I request that you closely scrutinize all transfer of mortgage servicing rights (MSR) from banks to nonbank servicers to ensure that these nonbank servicers have the operational capacity to manage the increased volume. Additionally, I request you to exam the extent to which these servicing transfers are potentially being used to evade the modification of loans for borrowers who would benefit most from the terms of the Settlement, and to work to ensure that borrowers are not subject to any degradation in the protections afforded to them because of an MSR sale."

Full text of the letter is below. A signed copy can be [viewed here](#).

February 19, 2014

The Honorable Thomas J. Curry
Comptroller
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

Joseph A. Smith
Monitor of the National Mortgage Settlement
Office of Mortgage Settlement Oversight
301 Fayetteville St., Suite 1801
Raleigh, NC 27601

Dear Comptroller Curry and Mortgage Settlement Monitor Smith:

I write to you to request that you carefully scrutinize the sale of mortgage servicing rights (MSRs) from banks to nonbank servicers to ensure that nonbank servicers have the capacity to handle the increased volume in loans, and that borrowers are not suffering from deterioration in the protections afforded to them because of such transfers.

As you are likely aware, the New York Department of Financial Services recently took action to halt the sale of \$39 billion in MSRs from Wells Fargo to Ocwen Financial Corporation, because the Department had concerns about the operational capacity of Ocwen to manage the servicing of an additional 184,000 loans. This comes shortly after the Consumer Financial Protection Bureau (CFPB) entered into a \$127 million settlement with Ocwen related to improper mortgage loan servicing, unauthorized fees, and engagement in illegal foreclosure practices.

More generally, consumer advocates, housing counselors and other stakeholders have raised concerns about the transfer of MSRs to nonbank servicers from the banks that are subject to the National Mortgage Settlement (the Settlement), the February 2012 agreement between five mortgage servicing companies



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and 49 state attorneys general. When these servicing rights are transferred to an entity not covered by the Settlement, the underlying loans are no longer subject to the servicing protections afforded by the Settlement. And while the CFPB has recently implemented servicing standards to cover the entire market, including for nonbank servicers, I am concerned that these standards offer fewer borrower protections than those contained in the Settlement.

I request that you closely scrutinize all transfer of MSRs from banks to nonbank servicers to ensure that these nonbank servicers have the operational capacity to manage the increased volume. Additionally, I request you to exam the extent to which these servicing transfers are potentially being used to evade the modification of loans for borrowers who would benefit most from the terms of the Settlement, and to work to ensure that borrowers are not subject to any degradation in the protections afforded to them because of an MSR sale.

Sincerely,

Maxine Waters
RANKING MEMBER
House Committee on Financial Services

cc: The Honorable Richard Cordray, Director, Consumer Financial Protection Bureau
The Honorable Shaun Donovan, Secretary, Department of Housing and Urban Development
The Honorable Melvin Watt, Director, Federal Housing Finance Agency
Ms. Katherine Porter, California Monitor, National Mortgage Settlement

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