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Waters: Report on Foreclosure Review "Troubling"

April 29, 2014

WASHINGTON, D.C. – **Congresswoman Maxine Waters**, Ranking Member of the House Financial Services Committee, released the following statement in response to [today's GAO](#) report on the Independent Foreclosure Review (IFR). The study was conducted as the result [of a 2012 request](#) by Congresswoman Waters, Senator Robert Menendez (D-NJ) and Reps. Brad Miller (D-NC) and Luis Gutierrez (D-IL).

Waters released the following statement:

"I'm troubled by the recent GAO report, which shows that just as the Department of Justice deliberately overstated its investigation and prosecution of mortgage fraud cases, regulators claimed six billion dollars of settlement payments that never truly occurred.

According to the report, regulators used a nonsensical crediting system for the largest portion of the settlement, meant to provide additional foreclosure relief activities to victims of unscrupulous practices. And the report found that banks were able to meet the requirements of the settlement without making any changes to their existing foreclosure activities.

I'm concerned with these findings by GAO, which also show that the settlement was reached without adequate investigation into the harms committed by the servicers. Many of the files did not contain complete data, making it impossible to know whether borrowers were disqualified from the possibility of the greatest cash payouts. Only a thorough review of poorly maintained or incomplete servicer files could have verified whether payments were commensurate with the harms committed.

I continue to urge bank regulators to review and release loan level data to the entire eligible population of the Independent Foreclosure Review, so that individual borrowers may review their servicing files and decide whether it would be appropriate to file their own claims against servicers. In November 2013, my office requested that regulators make a comprehensive public report relating to the operation and settlement of the Independent Foreclosure Review. Congress and the public have yet to receive such a report.

More than a year ago, I called on Financial Services Committee Chairman Jeb Hensarling to exercise the Committee's oversight responsibility and conduct a hearing on the IFR process. I remain disappointed that thus far he has refused to do so. Given the 4.4 million borrowers that may have been adversely affected, I urge him to reconsider this request.

The information from the Independent Foreclosure Review is critical to reforming the mortgage servicing industry, which has been allowed to operate without adequate controls for protecting borrowers since the peak of the foreclosure crisis. Regulators must act immediately to disclose data from the review, reform broken practices at the servicers, and ensure that borrowers receive the information they need to right these wrongs."

Ranking Member Waters has closely monitored the IFR since the inception of the program in early 2011, and she has raised numerous questions about the design, execution, efficacy and fairness of the process. In January of 2013, [she expressed concern](#) about the abrupt announcement of the blanket settlement, questioning how the settlement amount was determined and how recovery amounts will be distributed to eligible households. She sent a [letter](#) to then-Federal Reserve Chair Ben Bernanke and Thomas Curry, comptroller of the currency, requesting greater transparency in the IFR termination process. She also called for inclusion of provisions in the final settlement identifying a minimum amount for principal reductions, an escalation process for homeowners, and the prevention of foreclosures for the 4.4 million borrowers still in their homes.

In February of 2013, Waters [formally called](#) on Financial Services Committee Chair Jeb Hensarling to hold a hearing on the termination of the IFR process. To date, a hearing has not been held. In November 2013, Waters joined Rep. Elijah Cummings (D-MD) and Sen. Elizabeth Warren (D-MA) [to follow up on assurances](#) that regulators would release a public report on the details of the IFR. She also [introduced legislation](#) to reform the use of consultants in banking enforcement consent orders

The GAO report can be [viewed here](#).



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