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# Congress of the United States

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STAFF DIRECTOR

April 12, 2011

The Honorable John Walsh  
Acting Comptroller  
Office of the Comptroller of the Currency  
U.S. Department of the Treasury  
250 E St., SW  
Washington, D.C. 20219

Dear Acting Comptroller Walsh:

I am writing to request a detailed briefing on the results of your investigation into allegations that mortgage servicing companies engaged in systematic abuses against homeowners facing foreclosure. In addition, given the serious concerns raised by consumer groups and other entities, I ask that you consider postponing any further action you may be considering with respect to mortgage servicing companies, consistent with applicable laws, rules, and regulations.

Recent press reports indicate that your office is about to conclude consent agreements with the nation's 14 largest mortgage servicers to address allegations of widespread flaws and illegalities throughout the servicing industry.<sup>1</sup> These reports also indicate that you have based these proposed agreements on a months-long "horizontal review" of their policies and procedures, their structure and staffing, their use of law firms and other third parties to conduct foreclosures, and a review of thousands of foreclosures in various stages.<sup>2</sup> You reportedly may release your findings "within the next few weeks," but your report "will not name individual banks but rather describe their aggregate behavior."<sup>3</sup>

As a Member of Congress who has been working to protect my constituents and stem the foreclosure crisis that continues to ravage our communities and slow the economic recovery, I request a briefing on the specific abuses you identified and information on the specific banks that committed them.

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<sup>1</sup> *Servicers Said to Agree to Revamped Foreclosures*, New York Times (Apr. 5, 2011) (online [www.nytimes.com/2011/04/06/business/06mortgage.html](http://www.nytimes.com/2011/04/06/business/06mortgage.html)).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

A draft of what appears to be a proposed consent agreement between your office and mortgage servicing companies was apparently leaked and posted on a public website.<sup>4</sup> This draft agreement has been widely criticized as insufficient to curb the serious and chronic misconduct allegedly engaged in against homeowners and mortgage investors.

For example, on April 6, 2011, a coalition of more than 50 consumer advocate groups wrote to you, the heads of the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, and the Federal Deposit Insurance Corporation to object to the provisions in the proposed consent orders. They stated:

The draft consent orders that have been released to the press do not hold servicers accountable for illegal actions and do not stop avoidable foreclosures. ... The existence of these proposed consent orders validates the repeated allegations that the servicers have been blatantly and repeatedly violating state and federal laws and contracts. Yet these consent orders permit the perpetrators of these recognized illegalities to create their own process for fixing the problems in the future. ... Certain federal regulators of this nation's financial institutions have allowed servicers to flout the laws under which they operate as well as the mortgage contracts with homeowners, government agencies and investors. ... These consent orders continue that pattern of attempting to block effective action on the state level while permitting abusive practices by federally-regulated institutions to continue unchecked.<sup>5</sup>

I remain deeply concerned with any proposed consent orders that would allow mortgage servicers to continue disregarding their legal and contractual obligations, and that fail to rectify the damage that servicers have inflicted on borrowers, investors, communities, and the U.S. economy. Since it appears that your review of actions of mortgage servicers has concluded, I request that you provide a briefing as soon as possible to address the following matters:

- (1) the scope of your investigation;
- (2) the specific findings you have made;
- (3) the specific evidence on which you base those findings; and

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<sup>4</sup> See *Regulators Ready Enforcement Orders Against Servicers as State AG Talks Stall*, American Banker (Apr. 1, 2011) (online <http://cdn.americanbanker.com/media/pdfs/040111CandD.pdf>).

<sup>5</sup> Letter from Advocates for Neighbors *et al.* to Ben Bernanke, Chairman, Board of Governors of the Federal Reserve System *et al.* (Apr. 6, 2011) (online at [www.responsiblelending.org/mortgage-lending/policy-legislation/regulators/regulators-should-withdraw-consent-orders.html](http://www.responsiblelending.org/mortgage-lending/policy-legislation/regulators/regulators-should-withdraw-consent-orders.html)).

- (4) an explanation of how the terms proposed in these consent agreements will address the deficiencies you have identified.

Please contact Davida Walsh at (202) 225-4741 to arrange this briefing.

Sincerely,



Elijah E. Cummings  
Ranking Member

cc: The Honorable Ben Bernanke, Chairman  
Board of Governors of the Federal Reserve System

The Honorable Sheila Bair, Chairman  
Federal Deposit Insurance Corporation

The Honorable John Bowman, Acting Director  
Office of Thrift Supervision

The Honorable Darrell E. Issa, Chairman  
Committee on Oversight and Government Reform