

Statement of
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Office of the Comptroller of the Currency
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Committee on Oversight and Government Reform
United States House of Representatives

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Chairman Issa, Ranking Member Cummings, and members of the Committee, my name is Morris Morgan, and I am a Deputy Comptroller for Large Bank Supervision. I have been a National Bank Examiner for 26 years, and I am responsible for overseeing the activities of several of the large mortgage servicers in their compliance with the OCC's enforcement actions issued in April 2011. I appreciate the opportunity to appear before you this morning.

Nearly a year ago, the OCC issued comprehensive enforcement Orders against the major mortgage servicers we supervise to: correct a wide range of deficient and unsafe and unsound practices documented in the Orders; identify borrowers who may have suffered financial harm as a result of those practices; and, provide any harmed borrowers with financial remediation. Simply put, we wanted to fix what was broken; identify borrowers who were financially harmed; provide compensation for that injury; and, make sure this doesn't happen again.

My written testimony details the extensive work performed by our examiners and their findings that became the foundation for our enforcement actions. My statement also describes the wide range of mortgage servicing and foreclosure processing activities we have required

servicers to correct. These efforts include: improvements in mortgage servicing, foreclosure processing, and oversight and management of third-party service providers.

The OCC has also required the servicers to retain independent consultants to conduct a review of each servicer's foreclosure activities in 2009 and 2010. This review has two parts: first, a request for review process for borrowers who believe they were financially harmed by defective servicing and foreclosure practices, and second, a file review. This is a significant undertaking. As of last week, more than 121,000 requests for review had been received, and the file review at national banks contained nearly 135,000 borrowers. Therefore, more than a quarter million files are currently slated for review, and this number will increase. The request for review process was launched last November 1st. Since then, more than 4.3 million letters have been sent to borrowers explaining how they can request an independent review. Requests for review may be submitted until July 31, 2012.

Throughout the independent review process, we have worked with a number of community and housing organizations. These discussions have influenced our decision-making in a number of areas, including marketing and outreach. The OCC has required servicers to use advertising, a Web site, a toll-free number, and various other forms of outreach in both English and Spanish to increase awareness and understanding of the review process. To date, advertisements have appeared in more than 1,400 publications nationwide – including those that serve minority and underserved audiences – and the circulation covers all 50 states. The OCC has significantly complemented this effort with our own media outreach and public service advertising.

As stated earlier, our enforcement orders also require the independent consultants to perform file reviews of identified segments of borrowers. They are using sampling and other tools to identify files for review, subject to guidance and oversight from the OCC.

We are requiring 100 percent review of some borrower segments, including cases involving the Servicemembers Civil Relief Act, bankruptcy cases involving foreclosures, and cases referred by state or federal agencies.

When independent consultants find errors, misrepresentations, or other deficiencies, the next step is to determine if those errors caused financial injury, then recommend remediation. We have provided guidance on what might constitute financial injury, and we are finalizing a Remediation Framework which clarifies expectations about the amount and type of compensation recommended for certain categories of harm. Importantly, there are no caps or limits to the amount of compensation that will be paid out or remediated by the servicers.

Finally, we were pleased to see the finalization of the National Mortgage Settlement last week. We have been in regular communication with the Justice Department and other federal agencies for more than a year to ensure our enforcement actions did not interfere with, and were complementary to, actions required by a national settlement. We will continue to work closely with Justice and others to ensure the servicing standards required by that settlement are met by the servicers we supervise.

Again, I appreciate the opportunity to testify, and I am happy to answer your questions.