

April 6, 2011

Ben Bernanke, Chairman  
Board of Governors of the Federal Reserve System

John Walsh, Acting Comptroller  
Office of the Comptroller of the Currency

Sheila Bair, Chairman  
Federal Deposit Insurance Corporation

John Bowman, Acting Director  
Office of Thrift Supervision

Re: Withdrawal of Proposed Consent Orders Regarding Mortgage Servicing Illegalties

Dear Federal Regulators of the Financial Institutions of the United States:

The undersigned national labor, civil rights, consumer and community organizations call on you to withdraw the proposed consent orders issued to the nation's mortgage servicers and to work with the state Attorneys General and United States Department of Justice to obtain a joint settlement that addresses illegal servicing practices in a meaningful manner. The draft consent orders that have been released to the press do not hold servicers accountable for illegal practices and do not stop avoidable foreclosures.

While homeowners and communities continue to face breached contracts, obstruction and misrepresentations from servicers, the proposed consent orders provide no new directions or standards to the financial institutions subject to your supervision. Rather, the proposal permits the perpetrators of these abuses to design a plan to comply with existing laws and contracts. This is insufficient to halt the abuses. Specific and protective measures regarding loss mitigation, account management and documentation must be included in any settlement, as well as an appropriate penalty for past illegalities.

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. These as-yet-to-be-revealed plans apparently will be secret. Without transparency, there cannot be accountability.

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. For example, during the years leading up to the current foreclosure crisis, the OCC aggressively tried to block state enforcement actions that could have dealt effectively with many of the industry practices that are wreaking havoc upon the American public today. These consent orders continue that pattern of attempting to block effective action at the state level, while permitting abusive practices by federally-regulated institutions to continue unchecked.

Millions of homeowners have been victimized by the fraudulent and abusive practices of mortgage servicers whose staff are trained for collection activities rather than loss mitigation, whose infrastructure cannot handle the volume and intensity of demand, and whose business records are a mess. Servicers falsify court documents in large part because they have not kept the accurate records of ownership, payments and escrow accounts that would enable them to proceed legally. The robo-signing allegations are the most obvious evidence that servicers are routinely failing to comply with the requirements of the laws and contractual provisions to which they are subject and the tip of the iceberg of servicer noncompliance.

These proposed consent orders also appear to do nothing to ensure that homeowners will be protected from past and existing abuses in the mortgage servicing process. The standards and methodology for the third-party review are vague. The proposed orders also provide no guidelines on loss mitigation or on evaluations for core servicing abuses, including application of payments, assessment of fees, or force placed insurance. Finally, the servicers may seek to inappropriately use these self-fashioned reviews as shields against other actions against them by homeowners or government enforcement agencies.

The proposed consent orders do not provide the accountability and rigor required to right this foreclosure crisis. They are clearly not intended to do so. We request that you withdraw the proposed orders and work with the state Attorneys General and United States Department of Justice on a joint settlement.

Thank you for your consideration.

Sincerely,

cc: Attorney General Working Group  
United States Department of Justice

Advocates for Neighbors, Inc.  
Affordable Housing Services  
AFSCME  
Americans for Financial Reform  
Alliance for a Just Society  
Atlanta Legal Aid Society, Inc.  
Beyond Housing  
California Reinvestment Coalition  
Causa Justa::Just Cause  
CCISCO  
Center for NYC Neighborhoods  
Center for Responsible Lending  
Community Economics  
Community Housing Development Corporation of North Richmond  
Community HousingWorks

Community Legal Services of Philadelphia  
Community Organizations in Action  
Connecticut Fair Housing Center  
Consumer Action  
Consumer Federation of America  
Empire Justice  
Fair Housing Council of the San Fernando Valley  
Fair Housing Federation  
Fair Housing of Marin  
Greenlining Institute  
Housing and Economic Rights Advocates (HERA)  
Iowa Citizens for Community Improvement  
Korean Churches for Community Development  
Law Foundation of Silicon Valley  
Law Office of David Valdez Jr.  
Law Office of Kirk D. Miller, P.S.  
Legal Aid Foundation of Los Angeles  
Massachusetts Communities Action Network  
MFY Legal Services, Inc.  
NAACP  
National Association of Consumer Advocates  
National Association of Consumer Bankruptcy Attorneys  
National Coalition for Asian Pacific American Community Development (National CAPACD)  
National Community Reinvestment Coalition  
National Consumer Law Center (on behalf of its low-income clients)  
National Council of La Raza  
National Fair Housing Alliance  
National People's Action  
National Urban League  
Neighborhood Economic Development Advocacy Project (NEDAP)  
North Carolina Justice Center  
Philadelphia Unemployment Project  
Phillips Law Group, LLC  
PICO National Network  
Project Sentinel  
Service Employees International Union (SEIU)  
Vallejo Neighborhood Housing Services, Inc.  
Western Massachusetts Legal Services