**From:** William McCue [mailto:billmc@MCCUEMORTGAGE.com]
**Sent:** Wednesday, December 21, 2011 1:08 PM
**To:** #Servicing Compensation
**Cc:** William McCue
**Subject:** Alternative Mortgage Servicing Compensation Plan

December 19, 2011

Mr. Edward DeMarco

Acting Director

Federal Housing Finance Agency

1700 G St. NW 4th floor

Washington DC 20552

Re: Alternative Mortgage Servicing Compensation Plan

Dear Mr. DeMarco:

I am responding to the request for comments on the above referenced. I write primarily because of my concern with the concept of Fee for Service. My concern is that loan servicer’s move from a status of contractor to vendor. I’m sure that the promoters of Fee for Service will disagree and they may be contractually correct. However, the reality is the Guarantor will control the money/revenue for servicing and determine if and when my servicing fees will be received by me and that makes me a vendor.

I currently service 11,000 loans all in the State of Connecticut. The average outstanding balance on these loans is approximately $135,000. At a ¼ of 1% servicing fee I earn approximately $28/loan/month. The Fee for Service model suggests that should be $10/loan/month. The above referenced plan makes clear that the current servicing fee practice motivates servicers to keep loans in a current/performing status. Today, in this most challenging time to keep loans current/performing we are performing well because of a few important distinctions. First, we control our servicing practice particularly as relates to bringing non-performing loans back to a performing status. Second, we do not have servicing acquisition costs that we must use our servicing fees to amortize before we focus on the actual servicing of the loan. Third, we deal in geographic areas where we know the law and the practice and conduct our business in a way that is in compliance which is significantly different from the performance of mega-servicers.

Today, I use the $28/loan/month to cover my costs for servicing the performing loans and being proactive in my efforts to prevent borrower defaults. **Without the cash earned on the performing loans I cannot be pro-active on loans facing imminent default as well as be pro-active at preventing defaulted loans from becoming more severely defaulted. It is my cash that allows the preemptive effort.** The Fee for Service proposal beyond the $10/month fee for performing loans calls for the Guarantor paying servicers for successful collection and loss mitigation efforts but only after success is achieved. Non-performing loan servicing is expensive

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and many times not successful. While the Fee for Service plan allows fees for success in dealing with non-performing loans it also allows penalties for lack of success. I could not take on the expense if the only hope to recover my cost is a successful outcome. My chances of creating a successful servicing outcome for the consumer would be diminished by Fee for Service.

The Fee for Service suggests that servicing performing loans represents little expense. This is not the case if the borrower is to be well served. There is a great deal more to servicing performing loans than payment processing which is clearly the perception of the authors of the Fee for Service proposal. I do not believe any of the proposers have had any experience servicing loans. $10/loan/month means….. High-tech, low customer service and contact, off-shore cost cutting, American employment reduction, and the creation of a new generation of mega-servicers that will be unable to deliver when significant delinquencies occur in the future.

For the sake of homeownership in America, I hope you will direct your subordinates to first develop standards for mortgage servicing which are desperately needed to avoid a re-occurrence of what we are now experiencing. Once that is defined and understood there will be plenty of time to put a reasonable price on the services required. Our country’s past is full of examples of business disasters where the price was set before the product or service was defined. Don’t let all of your hard work of the last two years become overshadowed by following that path.

Respectfully submitted,

William J. McCue

President

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