

HOUSING POLICY COUNCIL THE FINANCIAL SERVICES ROUNDTABLE



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December 22, 2011

Mr. Edward DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW, 4th Floor
Washington, DC 20552
edward.demarco@fhfa.gov

Submission to: Servicing_Comp_Public_Comments@FHFA.gov

Re: Alternative Mortgage Servicing Compensation Discussion Paper

Dear Acting Director DeMarco:

The Housing Policy Council of the Financial Services Roundtable is pleased to respond to the September 27, 2011 concept proposals of FHFA for mortgage servicing compensation. We applaud FHFA for the outreach it has shown on this issue, starting with the Issues and Background document earlier published by FHFA, and the subsequent meetings and discussions it has held with participants in the mortgage servicing industry.

We believe that the "reserve account" option outlined in the September 27 document is the best option. We believe that a fee for service approach would negatively impact consumers and the servicing industry as a whole.

HPC supports the reserve account option

The concept paper discusses two alternatives to a fee for services system, one proposed by the Mortgage Bankers Association and one proposed by The Clearing House Association. HPC believes there is merit in both of these proposals and firmly supports the underlying common theme in both -- there should be a reserve account managed by the servicer to anticipate and plan for increased costs associated with non performing loans.

We believe that this option is an improvement over the current system, and agree with the implication of the concept paper that the current system needs modification. This modification is not as dramatic as the other alternative suggested in the concepts paper, the fee for services proposal. As such, it provides greater certainty and ease of integration into present systems.

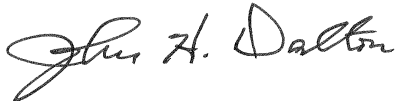
It also permits the servicers to manage its business more directly, and is not dependent upon decisions made by third parties concerning an appropriate level of buffer against losses that should be established, or an appropriate increase in service fees that might be necessary at some future time to support servicing the non performing loans. To investors, that will translate, in our judgment, into confidence that the servicers have risk in the performance of the pools and will benefit from doing a superior job.

At this point, we have no negative comments on any of the features of the proposal common to both of the ideas. We think, for example, that mobility of the account is handled appropriately in the models, that further definition is needed on the geographic and product scope of the account, that there will remain an area in which the servicer and investor will continue to have from to negotiate features, etc. As a more carefully delineated proposal is created, we would expect to provide FHFA more definitive reactions to the proposal

What we have concluded, however, is that the approach found in the option for the establishment of a reserve account is the approach we prefer.

HPC appreciates the outreach of FHFA on this significant issue. We look forward to providing a more extensive set of comments on any proposal that might follow after your consideration of responses to the September 27, 2011 concepts paper.

Sincerely,

A handwritten signature in cursive script that reads "John H. Dalton". The signature is written in black ink and is positioned below the word "Sincerely,".

John H. Dalton
President
The Housing Policy Council