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Office of Thrift Supervision

Department of the Treasury

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MEMORANDUM FOR: CHIEF EXECUTIVE OFFICERS

FROM: Thomas A. Barnes, Deputy Director
Examinations, Supervision, and Consumer Protection

SUBJECT: Management Oversight of Servicing Operations

The rapid and sustained increases in residential mortgage foreclosures have posed significant challenges for those involved in mortgage servicing. Recent disclosures concerning foreclosure affidavit practices have revealed disturbing deficiencies in management oversight of those activities that could impact both the affected homeowners and holders of the underlying mortgage loans, as well as have legal and reputational ramifications for those responsible.

Savings associations must ensure that all servicing operations have adequate resources to properly service mortgage loans. Such resources include, but are not limited to, trained staff and functional policies and systems to fulfill servicing responsibilities. A number of critical servicing activities are highly complex, especially in the area of loss mitigation and foreclosure practices, and require additional resources and enhanced managerial oversight to ensure they are functioning properly.

Those savings associations involved in servicing residential mortgages should immediately review their policies and staffing levels to ensure that all significant servicing functions are operating in a safe and sound manner and meet all legal requirements. Such review should include actual practices associated with the execution of foreclosure affidavits, verification of supporting documents, payment records, and any other relevant information that supports a servicing foreclosure decision.

In addition, servicing operations will continue to be a focus during scheduled safety and soundness examinations to ascertain the adequacy of the savings association policies and actual practices, in accordance with servicing guidance contained in the Examination Handbook Section 750, on Mortgage Banking.

For further information, contact Grovetta N. Gardineer, Managing Director for Corporate and International Activities, (202) 906-6068; or Stephen Lake, Examination Program Manager, (202) 906-7516.