Wright-Patt CREDIT UNION, INC.

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Mr. Edward DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW, 4th Floor
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Submission to: Servicing_Comp_Public_Comments@FHFA.gov

Wright- Patt Credit Union, Inc. thanks the Federal Housing Finance Agency (FHFA) for the opportunity to comment on its "Alternative Mortgage Servicing Discussion Paper," released on September 27, 2011. The world of servicing has undergone unprecedented stress over the course of the economic downturn. We therefore appreciate the interest of FHFA and other regulators in ensuring that we collectively work to improve service to our member borrowers, reduce financial risk to servicers, ensure flexibility for guarantors to better manage non-performing loans, promote market liquidity and enhance opportunities for competition in the origination as well as servicing markets.

As the largest credit union in the state of Ohio, our credit union has been involved in mortgage lending for over 20 years, providing support to first-time homebuyers, active duty and retired military families, and low- and moderate-income borrowers. Our mission hasn't changed since our beginning in 1932. Back then, the Great Depression and rough economic times led to a great need for a place where the average family could save and borrow money.

Today, it is the credit union's job to help members and their families achieve a greater degree of economic independence. We exist only to serve our member-owners. Wright-Patt is an organization of people...people here to serve our members and their families through life in a truly different way. Over the past 75 years, Wright-Patt Credit Union has grown to serve more than 1,100 employee groups, as well as individuals in seven counties in the Miami Valley and many communities in Cincinnati, Ohio. With 24 member centers and over $2.2 billion in assets, Wright-Patt now proudly serves over 210,000 member-owners.

Additionally, myCUmortgage, LLC is the credit union's wholly-owned credit union service organization (CUSO) subsidiary, providing mortgage services for the credit union's members as well as for other credit union's members. The CUSO was formed to make mortgages available to credit unions who cannot afford to create their own mortgage infrastructure for originating, selling, and servicing and want to capitalize on shared resources or who want more control than available through the alternative big prepackaged programs. myCUmortgage creates a back office solution that is faster, simpler, and generally cheaper than other alternatives and provides a high level of personalized service to its credit union partners.

myCUmortgage has assembled a strong list of partner credit unions offering the benefits of myCUmortgage to their members. As of November 2011, the ten year old CUSO serves more than 2.4 million members from 133 credit unions in over 11 states with more than $22 billion in total assets. Through November of this year, myCUmortgage helped their credit union partners generate over 3,200 home loans totaling more than $500 million.

As a whole loan servicing released buyer from our credit union partners, we commit to maintain the servicing relationship with their members over the life of the loan. We offer private labeled servicing in their name to enhance the credit union and member relationship even after the sale of the loan and servicing to us. We maintain the servicing on our own member loans sold into the secondary market. Similar to many credit unions, we put a high value on our member relationships and choose to retain the relationship on our mortgage offerings even as we use the secondary market for liquidity and interest rate management. Regardless of whether credit unions sell the mortgages they originate or keep them on portfolio, many credit unions retain the mortgage servicing rights (MSRs). Retaining MSRs is vital to maintaining a strong relationship with a credit union's members, as its members are its owners. Unlike a for-profit bank or servicer, a credit union's relationship with its member-owners forms the core of its existence.

Generally speaking, credit unions have not been involved in creating the rampant issues identified in the proposal as industry wide abuses in servicing practices impacting borrowers. As not-for-profit cooperatives owned by their members, our over riding concern and objective is always to bring the highest level of service and care to the member, and best possible financial outcome for the member and credit union as a whole, in the event of a mortgage default.

We are not considered a larger servicer in the marketplace. We currently have approximately 20,000 loans in our servicing portfolio. However, our philosophy and business practices guide us to originate loans to members prudently and service our loans correctly. We believe we have performed the operation of the business correctly, at minor risk to the GSEs and with the interests of the borrower strongly in mind. We believe changes to the current servicing compensation model will create even more economic and financial disadvantages in our ability to serve our members and partner credit unions as effectively as we do today.

We strongly believe that any change to the current servicing compensation model is unnecessary to accomplish the stated goals. The current system has served the market well for decades and still remains a viable option, even in these tumultuous times.

While we do not endorse a change to the current servicing compensation model, we do recognize that there is a feeling amongst the regulators that there is a need for change. The two proposals offered by FHFA, the Cash Reserve Account and Fee For Service, do not contain enough detail for us to fully understand the specifics of each proposal, how each would be implemented by an originator/seller, what the overall economic, financial, and member borrower impacts would be under these proposals, and what servicing standards would be tied to these compensation proposals.

Consequently, we prefer no change in the servicing compensation structure until more details are available and we can adequately evaluate the proposals in their current form. At this point, there are numerous mortgage-related changes being contemplated by Congress as well as negotiations between several state Attorney Generals and the largest servicers. It is yet to be seen what standards will come from these. In addition, the continued uncertainty surrounding Fannie Mae and Freddie Mac further complicate matters. Therefore, any change today would cause further disruption to an unstable housing market. Any change in the mortgage servicing compensation structure is unnecessary and inappropriate at this time; and the proposed changes could have the effect of consolidating the servicing industry into a few large players resulting in diminishing service levels to borrowers.

Finally, we believe that the proposed changes to the servicing compensation structure will make it more difficult for small to mid-size lenders, like Wright-Patt Credit Union and its myCUmortgage credit unions, to retain servicing rights.

The income streams will not be sufficient to maintain servicing operations which will most likely lead to more servicing going to the mega-servicers. Consolidating servicing in the hands of those lenders who have been at center of the debate of proper servicing, lack of modifications and robo-signing, potentially rewards them for their self-serving actions while punishing the smaller lenders that mostly performed admirably during the crisis in terms of helping their members maintain home ownership.

We strongly advocate for no change to the servicing compensation structure at this time in order to allow us to continue to fund our business functions and incent mortgage servicer conduct in proper directions with minimal market disruption. In addition, we plead that FHFA release more details on the two servicing compensation proposals presented in the discussion paper.

Thank you for your consideration of our comments. If you have any questions, please contact me at 937.912.7853.

Sincerely,

Timothy J. Mislansky

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