From: Fowler C. Williams [mailto:fwilliams@crescentmortgage.net]
Sent: Wednesday, October 19, 2011 9:24 AM
To: #Servicing Compensation
Subject: Comments on Proposed Servicing Compensation Options presented by FHFA

To whom it may concern;

To not write an overly verbose assessment of the very well diagramed proposed to servicing compensation I will try to use a more bullet point assessment for our comments.

- Based on new servicing standards, defining the cost to service underlying loans would take additional time to ascertain and I feel like defining such a cost at this point is premature and ill timed.
- The ideas presented to offset the cost of "troubled" loan servicing seems be aimed to assist in the results of an underlying fundamental problem, not at the problem itself. It proposes in short to allow a higher servicing fee on problem loan servicing. The underlying issue I believe the FHFA should consider be to compensate the lenders who tirelessly and carefully try not to originate and securitize loans that will be troubled assets. To oversimplify, you can be paid a more lucrative servicing fee to originate or service bad loans. At the very least I will not lose money to originate bad loans. I will be paid less of a servicing fee to not originate, underwrite and securitize high quality loans with the agencies under the oversight of the FHFA.
- In the history of our country there has never been a higher concentration of mortgage servicing rights between a few servicing participants that there is today. Bank of America, Wells Fargo, Chase and Citi respectfully have own 69.93% of all MSR's on agency securitized loans. In fact, the share of servicing is so disparate that there are two firms in the top 10 national servicers that have a one percent market share. I see nothing presented in the two proposed options that will change this.
- I respectfully propose you ask for comment on a third option. The third option being that it is not the correct time for the FHFA to make a drastic change to the servicing income structure. The current servicing income structure, though not perfect, I feel cannot be adequately addressed until the cost of servicing in this new era can be identified. I further would suggest that a FHFA focus on quality origination and securitization will lead to less troubled servicing. The only way to have more banks, credit unions, and responsible lenders become servicers (which my company is) is to formulate a structure that is based on quality, not quantity of the underlying asset.
- I do agree with one main point proposed and that is that is that the amount of a loan has little to do with the actual cost of servicing the loan and a dollar fee structure versus a percentage of loan amount fee structure will make sense in the future.

In conclusion I believe that the prosoals submitted for public comment are clearly defined, well thought out and done so with the best of intentions to protect the consumer and the taxpayer. However, as a small bank owned servicer, I cannot understate that I believe this will further cause the exit of now willing servicers from the market, give incentive to poor originations, and further consolidate the servicing rights between a few lenders which is already at alarming and potentially catastrohic levels.

Thank you for your willingness to solicit comment from taxpayers and industry participants alike.

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