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December 25, 2011

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

Re: Alternative Mortgage Servicing Compensation Discussion Paper

Submitted via electronic delivery to:
Servicing_Comp_Public_Comments@fhfa.gov

Dear Mr. DeMarco:

On behalf of the 1.1 million members of National Association of REALTORS® (NAR), I appreciate the opportunity to comment on the Federal Housing Finance Administration's (FHFA's) Alternative Mortgage Servicing Compensation Discussion Paper (Discussion Paper). Millions of homeowners have been affected by deficiencies in mortgage loan servicing and NAR supports efforts to balance the incentives needed to improve the servicing of delinquent loans.

NAR continues to be strongly concerned about the manner in which servicers are managing their significant portfolios of delinquent loans. Homeowners often aren't just clients; they are family, close friends, and individuals with whom our members have close ties. Our members often go to great lengths to assist clients in distressed situations throughout one of the most difficult times in their lives.

REALTORS® believe the best opportunity to reduce costs to taxpayers and assist in the stabilization of housing values and neighborhoods is to respond more effectively to, and provide more resources for, pre-foreclosure efforts such as loan modifications and short sales. These efforts not only are net-positive outcomes for homeowners, but taxpayers as well. Improving servicing for existing loans, especially loans that become delinquent, should be the priority of not only the FHFA, but servicers and lenders as well.

NAR urges FHFA to proceed cautiously in altering the current compensation structure for loan servicers. NAR believes a compensation structure that allows community lenders and servicers to serve the needs of their communities, but ensures that sufficient resources are dedicated to pre-foreclosure efforts, is the preferred solution for all involved parties. While the compensation structure is certainly open to improvement, there is concern that the wrong approach might force further concentration and a decline in service than under the current structure. Significantly reducing compensation for loans that remain current would necessitate outsourcing of loan servicing to call centers and online servicing 'platforms' that continue to cause constant frustration to borrowers requiring assistance. Smaller servicers of loans made in their local communities may be forced out of the servicing business if a compensation structure reduces payments for current loans and makes resolving delinquent loans more profitable than proactively working with at-risk borrowers to ensure they remain current.

Concentration in the servicing industry has exacerbated problems in the mortgage market. Poor service from entities with seemingly little commitment to resolving difficult situations in a manner that works best for the lenders, investors, and most importantly, the homeowners and communities in which they live has resulted in large numbers of foreclosures. It is hard to see how further concentration would improve upon this state of affairs. There is a potential benefit to a compensation structure that promotes loan servicing by a broad base of servicers, especially those with more direct community ties to the loans they are servicing. First, these servicers have a vested interest in a positive outcome since they are part of the communities that would be harmed by a foreclosure. Second, consumers have greater access to smaller and more local institutions and their local employees, which most consumers appear to prefer over having to deal with distant call centers. Third, those servicers with ties to their community risk their reputations if they perform poorly.

Real estate professionals value nothing more highly than their reputations in the communities in which they work. It is how they obtain lifetime customers. This is true for most small businesses and is also true for other local entities, including mortgage lenders and servicers, who also rely on getting the job done right to build their businesses. Having a positive reputation within our communities is a strong incentive to provide excellent service of a kind that is all too often missing from remote large conglomerates.

For these reasons, NAR urges a cautious approach to fundamental changes to loan servicing compensation to avoid the risks of further concentration of the servicing industry and fewer satisfied consumers. We also urge you to redouble efforts to improve the manner in which delinquent loans are addressed currently so that homeowners and their communities achieve outcomes that represent the best possible resolutions.

Thank you for your time and consideration. If you have any questions or concerns, please do not hesitate to contact Charlie Dawson, NAR Associate Policy Representative, 202.383.7522 or cdawson@realtors.org. NAR looks forward to working with you to continue to work to end the foreclosure crisis and improve the housing and mortgage markets.

Sincerely,

Maurice "Moe" Veissi
2012 President, National Association of REALTORS®