



## *COMMUNITY MORTGAGE BANKING PROJECT*



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](mailto:Servicing_Comp_Public_Comments@FHFA.gov)

Re: Alternative Mortgage Servicing Compensation Discussion Paper

Dear Mr. DeMarco:

The Clearing House Association,<sup>1</sup> the Community Mortgage Banking Project<sup>2</sup>, the Housing Policy Council,<sup>3</sup> the Mortgage Bankers Association<sup>4</sup> and the Securities Industry and Financial Markets

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<sup>1</sup> Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world's largest commercial banks, which collectively employ over 2 million people and hold more than half of all U.S. deposits. The Clearing House Association L.L.C. is a nonpartisan advocacy organization representing—through regulatory comment letters, amicus briefs and white papers—the interests of its owner banks on a variety of systemically important banking issues. Its affiliate, The Clearing House Payments Company L.L.C., provides payment, clearing, and settlement services to its member banks and other financial institutions, clearing almost \$2 trillion daily and representing nearly half of the automated-clearing-house, funds-transfer, and check-image payments made in the U.S. See The Clearing House's web page at [www.theclearinghouse.org](http://www.theclearinghouse.org).

<sup>2</sup> The Community Mortgage Banking Project is a public policy organization representing the interests of independent mortgage bankers. For decades, the community-based mortgage banker has delivered value and choice to consumers by leveraging local market expertise, quality service, and lower costs for borrowers. The CMBP supports financial market reforms that promote consumer access, borrower and investor transparency, local competition and choice, and a value added mortgage chain. For more information visit [www.communitymb.com](http://www.communitymb.com).

<sup>3</sup> The Housing Policy Council of The Financial Services Roundtable consists of thirty-two of the leading national mortgage finance companies. HPC members originate, service, and insure mortgages. We estimate that HPC

Association<sup>5</sup> appreciate the opportunity to comment on the *Alternative Mortgage Servicing Compensation Discussion Paper* (the “Discussion Paper”) of the Federal Housing Finance Administration (the “FHFA”). Each of our organizations has submitted separate comment letters presenting the perspectives of our respective members. However, we would like to take this opportunity to stress some common themes that we have raised:

- First, for a variety of reasons that are enumerated in our individual letters, we believe that a fee-for-service approach would have negative consequences for the industry and for the customers that we serve. While some of the drawbacks are more apparent—for example, reducing the incentive to invest in the necessary infrastructure as well as the servicer’s “skin in the game”—others are inherently unknown—for example, the impact on industry structure and competition. Nevertheless, each of our organizations believes that the potential costs of adopting such an approach far outweigh the potential benefits.
- Second, even if one disagrees with our basic assessment, adopting such a structure would inevitably produce large changes with uncertain consequences for lenders, servicers, investors and borrowers. In order to justify such a move, the FHFA would have to present strong and compelling evidence that a fee-for-service structure would be in the long-term interests of the mortgage market and the consumers that it serves. In our view, FHFA has yet to do so. As a result, we see no reason why the FHFA should continue to pursue a fee-for-service approach, which, by the agency’s own admission, represents a dramatic departure from the compensation structure that is now in place.

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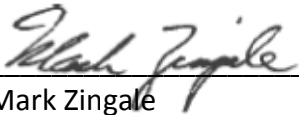
member companies originate approximately 75% and service two-thirds of mortgages in the United States. HPC's mission is to promote the mortgage and housing marketplace interests of member companies in legislative, regulatory, and judicial forums.

<sup>4</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation’s residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA’s Web site: [www.mortgagebankers.org](http://www.mortgagebankers.org).

<sup>5</sup> SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association. For more information, visit [www.sifma.org](http://www.sifma.org).

Once again, we want to thank you for the opportunity to comment on the Discussion Paper and would welcome the opportunity to discuss it further. Our organizations are committed to creating a stable mortgage-servicing structure for the future of real estate finance and appreciate the work of the FHFA. Any questions or comments should be directed to the individuals listed below.


Sincerely,



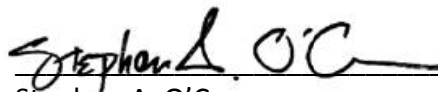
Mark Zingale  
Senior Vice President and  
Associate General Counsel  
The Clearing House Association



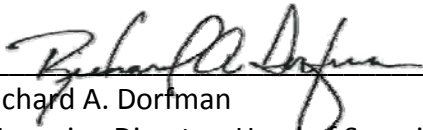
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