PLATINUM
Home Mortgage Corporation
www.platinumhomemortgage.com

December 23, 2011

<u>**Via Email to:**</u>
<u>**Servicing_Comp_Public_Comments@FHFA.gov**</u>
Mr. Edward DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW, 4^{th} Floor
Washington, DC 20552

Re: Commentary to "Alternative Mortgage Servicing Discussion Paper"

Dear Mr. DeMarco:

Platinum Home Mortgage Corporation appreciates the opportunity to comment on the Federal Housing Finance Agency's "*Alternative Mortgage Servicing Compensation Discussion Paper*" (the "Discussion Paper") issued on September 27, 2011.

While the Discussion Paper serves to bring forth various aspects of the current servicing compensation structure (*e.g.* interest only strips, minimum servicing fees, the Basel III Accord) and proposes a fee for service alternative with complex analysis of the roles GSEs and servicers would have under the fee for service structure, the Discussion Paper briefly discusses the actual benefit to the consumer.

Protecting and benefiting the consumer, and how any change in the current servicing compensation structure will affect the consumer, should be the very first and foremost concern to the FHFA. The Discussion Paper barely scratches the surface of consumer benefits.

Until a detailed consumer benefit analysis can be ascertained, we feel strongly that any change to the current structure would not be advisable and only lead to further consumer discordance.

Furthermore, on page 7 of the Discussion Paper it states, as a "result" of the current servicing compensation structure, "*a servicer is incented to keep loans current, or to restore loans to a performing status, in order to maintain their servicing fee cash flows*".

It is our belief that there are two (2) separate items/issues. One issue is compensation and the other is servicing standards. Based on the Discussion Paper's conclusion on page 7, the compensation appears to be properly aligned in its present form and FHFA appears to be on the correct path in redefining the servicing standards which is presently underway.

The re-localization of servicing to smaller servicers around the country appears to also be underway. Any change in the compensation structure may undermine this momentum. While mega-servicers have tried to manage the recent market conditions, it has been overwhelming for them unlike the local servicers who have been able to better manage.

If FHFA does wish to make compensation change, we would suggest looking at a range such as offered under the GNMA (Government National Mortgage Association) model. Under the GNMA model, a servicer may retain servicing revenue from 19 to 69 BPS. This model and the feeder agencies of FHA, VA and USDA have all remained positive for decades and more notably during the entire housing downturn.

Thank you for consideration of our comments and, although brief, we trust your review will determine the merit of the necessity of further detailed analysis prior to any final decision or implementation.

Sincerely,

William W. Giambrone
President & CEO