

**SchoolsFirst™**  
FEDERAL CREDIT UNION

December 21, 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

Dear Mr. DeMarco:

I am writing on behalf of SchoolsFirst Federal Credit Union, which serves school employees in Southern California. We have more than 500,000 Members and over \$8.8 billion in assets. SchoolsFirst FCU appreciates the opportunity to comment on the Agency's Alternative Mortgage Servicing Compensation Discussion Paper.

We strongly believe that the current servicing compensation structure is more than adequate, equitable and does not warrant replacement. The current system has served the market well for decades and still remains a viable option, even in these tumultuous times. Furthermore, any consideration of changing mortgage servicing compensation standards is premature in light of the ongoing process of developing national lending and servicing standards, resulting from the constantly changing regulatory landscape created by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).

While we do not endorse a change to the current servicing compensation model, if the FHFA feels strongly that making fundamental changes to the servicing fee structure is necessary, we would submit that, of the options proposed, the Reserve Account model presents the least disruptive option for the industry while achieving the stated objectives of the Agency, which include improving service to borrowers, reducing financial risk to servicers, and providing increased flexibility for the management of non-performing loans. The FHFA should be cognizant of the fact that servicers come in a broad range of size and cost-to-service structures. A large and highly automated servicer can generally service loans at a cost significantly lower than a smaller servicer. Accordingly, if the FHFA decides to implement the Reserve Account model, it should define "normal servicing."

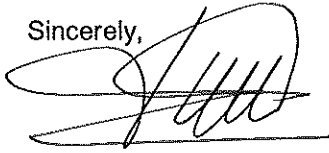
The Fee for Service Model places limitations on new market participants and disadvantages small servicers, thereby reducing competition in the servicing arena. Such consolidation would reduce competition, to the ultimate detriment of consumers.

We would reiterate our belief that, despite the issues in the mortgage servicing market and the need for investment and training in servicing, the current mortgage servicing compensation structure is appropriate and suitable to meet the needs of the market.

Please feel free to contact me if I may be of further assistance.

RE: Alternative Mortgage Servicing Compensation Discussion Paper  
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Sincerely,

A handwritten signature in black ink, appearing to read 'Francisco Nebot', written over a horizontal line.

Francisco Nebot  
SVP, Chief Financial Officer  
SchoolsFirst Federal Credit Union

cc: Credit Union National Association (CUNA)  
California/Nevada Credit Union League (CCUL)