

Federal Reserve Bank of San Francisco  
101 Market Street, San Francisco, California 94105

March 1, 2012

To State Member Banks, Bank Holding Companies, Financial Holding Companies, Foreign Bank Offices and Savings and Loan Holding Companies in the Twelfth Federal Reserve District

**Federal Reserve Board Releases Action Plans for Supervised Financial Institutions to Correct Deficiencies in Residential Mortgage Loan Servicing and Foreclosure Processing**

The Federal Reserve Board on February 27, 2012 released action plans for supervised financial institutions to correct deficiencies in residential mortgage loan servicing and foreclosure processing. It also released engagement letters between supervised financial institutions and independent consultants retained by the firms to review foreclosures that were in process in 2009 and 2010.

The action plans are required by formal enforcement actions issued by the Federal Reserve last year. The enforcement actions direct mortgage loan servicers regulated by the Federal Reserve to submit acceptable plans that describe, among other things, how the institutions will strengthen communications with borrowers by providing each borrower the name of a primary point of contact at the servicer; establish limits on foreclosures where loan modifications have been approved; establish robust, third-party vendor controls; and strengthen compliance programs.

The Federal Reserve enforcement actions also require the parent holding companies of mortgage servicers to submit acceptable plans that describe, among other things, how the companies will improve oversight of servicing and foreclosure processing conducted by bank and nonbank subsidiaries.

The enforcement actions further require the mortgage servicing subsidiaries to provide appropriate remediation to borrowers who suffered financial injury as a result of errors by the servicers. The engagement letters describe the procedures that will be followed by the independent consultants in reviewing servicers' foreclosure files to determine whether borrowers suffered financial injury as a result of servicer error.

Release of the action plans and engagement letters follows reviews conducted from November 2010 to January 2011, in which examiners found unsafe and unsound processes and practices in residential mortgage loan servicing and foreclosure processing at a number of supervised institutions.

The Federal Reserve will closely follow the implementation of action plans to ensure that the financial institutions correct deficiencies and evaluate any harm that was done to homeowners in the foreclosure process in 2009 and 2010. The Federal Reserve anticipates that more engagement letters and action plans will be posted soon.

## **Additional Information**

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact:

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**Attachment:** [Action plans and engagement letters](#)

[2012 Enforcement Actions](#)