



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C.

SECRETARY OF THE TREASURY

December 13, 2010

The Honorable Brad Miller
U.S. House of Representatives
Washington, DC 20515

Dear Representative Miller,

Thank you for your letter of November 18, 2010 regarding problems associated with mortgage servicing and foreclosure processing. In your letter, you suggest that the Financial Stability Oversight Council ("FSOC") examine a sample of collateral loan files to determine if the files contain the appropriate documentation required by contract or by law. You also suggest that the FSOC consider the potential risk associated with the role of large financial institutions in the servicing of mortgages and to consider requiring these firms to divest their servicing affiliates.

As Chair of the FSOC, I would like to provide you with an update on the FSOC's review of problems associated with mortgage servicing and foreclosure processing and their effect on homeowners and the housing market.

As you know, the FSOC was created in large part to identify and monitor emerging risks to U.S. financial stability. As part of this role, the FSOC is closely monitoring the foreclosure processing issues, just as it will, going forward, review other issues that could potentially affect the stability of the financial system.

With regard to your suggestion of examinations of financial institutions by FSOC member agencies, these reviews are currently ongoing as part of a foreclosure task force formed by the Administration in early September.

The foreclosure task force is a group of eleven federal agencies, including 7 members of the FSOC as well as the FTC, HUD, and DOJ, with specific expertise on housing and mortgage processing issues to assess the extent of the issues through reviews of the nation's largest mortgage servicers and other entities. The main objectives of the task force are to determine the scope of the foreclosure problems, hold banks accountable for fixing these problems, protect homeowners, and mitigate any long-term effects this misconduct could have on the housing market. The interagency task force is closely coordinating with states Attorneys General as well.

Regulators are conducting onsite investigations to assess each servicer's foreclosure policies and procedures, organizational structure and staffing, vendor management, quality control and audit, loan documentation including custodial management, and foreclosure prevention processes. The

task force also is closely reviewing related issues that include loss mitigation, origination put-backs, securitization trusts, and disclosure put-backs.

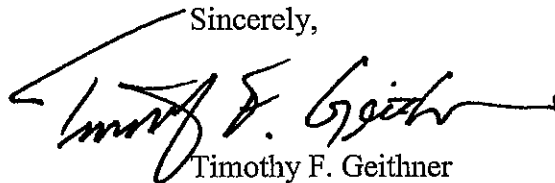
These examinations are extensive and resource intensive. For example, the Office of Thrift Supervision has approximately 80 examiners on-site at their four servicers, and the Office of the Comptroller of the Currency has 100 examiners at the top eight national bank servicers.

Treasury's former Assistant Secretary Michael Barr briefed the FSOC on the status of the task force's efforts at its meeting on November 23, 2010.

The FSOC and its member agencies will continue to assess the systemic implications of the foreclosure processing issues. The FSOC will receive further updates on the ongoing results of the foreclosure task force's initial investigation and expect that the taskforce will report on these findings at the FSOC's January meeting.

As you suggest, the Dodd-Frank Act also provides the FSOC, and its member agencies, with a variety of tools to recommend heightened prudential standards and take other remedial actions when necessary for financial stability. With that in mind, the FSOC and its member agencies will remain critically focused on working with the foreclosure task force, and will use all appropriate authorities available to them if abuses are found.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy F. Geithner", with a long horizontal flourish extending to the right.

Timothy F. Geithner

Identical letter sent to:

The Honorable Barney Frank
The Honorable John Conyers
The Honorable Maxine Waters
The Honorable Luis Gutierrez
The Honorable André Carson
The Honorable Stephen Lynch
The Honorable Joe Baca
The Honorable Jackie Speier
The Honorable Danny K. Davis
The Honorable Laura Richardson
The Honorable Keith Ellison
The Honorable George Miller

cc: Members of the Financial Stability Oversight Council