

“THE FEDERAL GOVERNMENT IS MOVING COMPREHENSIVELY AND QUICKLY”

✖ Something has been nagging me about this HuffPo description of HUD Secretary Shaun Donovan’s briefing on the foreclosure crisis the other day. It’s the revelation that, in a review started **in May**, the government had found that foreclosure servicers are not complying with FHA requirements that servicers attempt to modify loans before they foreclose on them.

Donovan said the administration had yet to complete its review, which began in May. Thus far, though, it had found “significant difference in the performance of servicers, and in particular, information that shows us there is not compliance with FHA rules and regulations around loss mitigation.” Donovan said the findings were limited to firms that deal with FHA loans. He declined to single out servicers. Other HUD officials likewise declined, despite repeated requests.

When it came to the larger issue of what some legal experts describe as a fundamentally-flawed and fraud-ridden mortgage market – fraudulently-underwritten loans that passed through a maze of institutions that failed to properly maintain basic paperwork or follow legal procedures in bundling, securitizing and ultimately selling those mortgages to investors – Donovan said that, thus far, all is well.

“The primary issue that’s been the focus of the moratoria is, is the foreclosure

process being followed correctly? Are affidavits being filed correctly, and are notarizations and other things being done correctly? That is one set of issues,” he said. “A second set of issues – and we think this is very important – that we look more broadly at, ‘Are servicers taking steps to help keep people in their homes?’”

The lesser, third issue that has been raised, Donovan said, is whether the process underlying the securitization of mortgages is “in question.”

“So that’s the point that I’m trying to make, is that the issues that we are finding ... that we’re focused on are, ‘Are there particular servicers that are not following these processes?’”

Donovan added that “we have not found any evidence at this point of systemic issues in the underlying legal or other documents that have been reviewed.”

Keeping in mind that this review started **five months ago**, watch this video of Donovan from Wednesday. In it, Donovan seems intent on declaring the overall system of mortgage finance—including MERS—to be sound, even while he reveals that the review showed some servicers were not making the required effort to modify loans before foreclosing on people.

This is not a systematic issue, according to Donovan, but some servicers that he declines to name (as he did in the briefing HuffPo describes) are not following processes to keep people in their homes. Oh, and “the Federal government is moving comprehensively and quickly to ensure that servicers are complying with the law and that they are taking the actions they’re required to take and they should take to keep people in their homes.”

Well over a million homes have been foreclosed on since the government began its review of the

foreclosure process. At some point in that time, the government determined that certain servicers were not complying with federal rules about modifications.

So why are we just hearing about it now after those million families have lost their homes?

I appreciate that the government—by refusing to call this systemic fraud systemic—acquires new leverage over servicers to actually do something about their refusal to modify loans. But why have we heard nary a peep out of the government about this before now? And why is the government refusing to make public which deadbeat banks are breaking the rules on loan modifications?