

Senator Robert Menendez
Opening Statement
“Housing Finance Reform: National Mortgage Servicing Standards”
8/2/11

Thank you all for being here today. This hearing of the Banking Committee is on a very important topic to our nation’s homeowners. I explored a similar topic in a hearing that I chaired in the Subcommittee on Housing, Transportation, and Community Development in May. It is of particular concern to the countless New Jersey homeowners who have contacted my office, almost all with terrible stories about their experiences going through foreclosure, and many with stories of being either mistreated or neglected by mortgage servicers. The typical problems they encounter are servicers losing their paperwork, not understanding what already happened the last time they called since they get a different person each time they call, lack of transparency as to whether their modification requests are being calculated properly, ineffective appeals, excessive delays in coming to decisions, and a general reluctance by servicers to modify loans in ways that would be sustainable in the long run. Overall the current process is both emotionally draining and ineffective in keeping people in their homes. Closely related to homeowner concerns are mortgage investor concerns about the conflicts of interest that many mortgage servicers face when deciding whether to foreclose or modify a loan.

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In response to all of these concerns, numerous commentators have suggested national mortgage servicing standards as a way to provide consistency, accountability, and better homeowner and mortgage investor protections. There seems to be increasing consensus that at least some kind of national mortgage servicing standards are warranted, and I believe if they are done in the right way, they can actually make mortgage servicers’ jobs easier too.

This is also a timely topic because federal banking regulators including the OCC, Federal Reserve, FDIC, and OTS recently issued Consent Orders as enforcement actions against some of the largest banks to require changes in their mortgage servicing practices. These actions take a step in the direction of developing national mortgage servicing standards, but they’re also too little and too late to help many homeowners. Fortunately the State Attorneys General settlement framework is providing some basis for discussion of these important issues as well. I look forward to hearing the testimony on this.