

Congress of the United States
Washington, DC 20515

April 11, 2016

The Honorable Richard Cordray
Director, Consumer Financial Protection Bureau
1700 G Street, NW
Washington, D.C. 20552

Dear Director Cordray:

We are writing to bring to your attention a new GAO report we are releasing today entitled, *Nonbank Mortgage Servicers: Existing Regulatory Oversight Could Be Strengthened*.¹ The report documents the dramatic growth of nonbank mortgage servicers and makes an important recommendation for the Consumer Financial Protection Bureau (CFPB) to develop comprehensive data on the identity and number of nonbank mortgage servicers. We urge you to implement this recommendation swiftly.

In its report, GAO finds that nonbank servicers' share of the mortgage market has increased dramatically since 2012. Nonbank servicers hold and service consumer mortgages, but they generally do not offer other banking services, such as checking and savings accounts, credit cards, or auto loans.

According to GAO, by the second quarter of 2015, nonbank servicers serviced nearly 25 percent of all mortgages, up almost fourfold from 6.8 percent in the first quarter of 2012.² They also serviced 35 percent of all mortgages in Ginnie Mae and enterprise mortgage-backed securities and "approximately 74 percent of loans in pools of private-label securities."³ GAO reports that one nonbank servicer "accounted for over 28 percent of all subprime mortgages serviced in 2014," which is more than serviced by "the two largest bank servicers combined."⁴

According to GAO, "the increased participation of nonbank servicers in mortgage servicing has created benefits but also poses risks to consumers, the enterprises, and Ginnie Mae, and others."⁵ GAO reported that nonbank servicers have "less mature infrastructures relative to banks for tasks such as managing regulatory compliance, risks, and internal controls," which may cause "problems or errors with account transfers, payment processing, and loss mitigation processing" when mortgages are transferred between servicers, potentially leading to missed documentation or uncredited payments.⁶

¹ Government Accountability Office, *Nonbank Mortgage Servicers: Existing Regulatory Oversight Could Be Strengthened* (April 2016) (GAO-16-278).

² *Id.* at 9.

³ *Id.* at 14-15.

⁴ *Id.* at 13.

⁵ *Id.* at 23.

⁶ *Id.* at 24.

According to GAO, after some mortgage servicing transfers, some borrowers have “lost contact with their servicers, and their new servicers did not always receive or adhere to borrowers’ existing loss mitigation agreements with the previous servicer.” GAO concludes that “these types of transfer errors may have resulted in some borrowers improperly losing their homes to foreclosure.”⁷

GAO identified CFPB’s existing statutory authority to oversee nonbank servicers and noted the work your agency has already conducted:

In 2012, CFPB implemented its nonbank mortgage servicer examination program to enforce servicer compliance with applicable consumer financial laws. ... CFPB’s examinations of nonbank servicers revealed various possible violations of relevant laws and regulations or operational deficiencies, and CFPB required corrective actions to address those deficiencies.⁸

We appreciate and support these ongoing efforts. GAO also reported that CFPB currently “lacks a mechanism to collect comprehensive data on the identity of all nonbank servicers.”⁹ Absent this information, GAO observed that “CFPB may face challenges as it seeks to fulfill its mission to enforce consumer protection laws and to study consumers, financial services providers, and consumer financial markets.”¹⁰

GAO recommended that CFPB “take action to collect comprehensive data on the identity and number of nonbank mortgage servicers in the market.”¹¹ Acknowledging the challenges inherent with such data collection, GAO found:

CFPB, given its mandate to enforce financial consumer laws, is uniquely positioned to navigate the data challenges associated with compiling this information and putting in place a mechanism to do so.¹²

We agree. Collecting information on and regulating nonbank mortgage services to protect consumers is well within CFPB’s statutory authority and core mission. We hope that you take actions to do so as rapidly as possible, and we ask that you provide us with a briefing by May 10, 2016, on a plan to do so.

⁷ *Id.* at 26.

⁸ *Id.* at 32.

⁹ *Id.* at 43.

¹⁰ *Id.* at 45.

¹¹ *Id.* at 49.

¹² *Id.* at 43.

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If you have any questions about this letter, please contact Todd Phillips at (202) 225-4741 with Ranking Member Cummings or Brian Cohen with Senator Warren at (202) 224-4543. Thank you for your cooperation with this matter.

Sincerely,



Elijah E. Cummings
Ranking Member
Committee on Oversight and
Government Reform



Elizabeth Warren
Ranking Member
Subcommittee on Economic Policy

cc: The Honorable Jason Chaffetz, Chairman
The Honorable Dean Heller, Chairman