



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

June 6, 2016

OIG-CA-16-022

MEMORANDUM FOR THOMAS J. CURRY
COMPTROLLER OF THE CURRENCY

FROM: Jeff Dye /s/
Audit Director, Banking Audits

SUBJECT: Audit Termination Memorandum – OCC's Oversight of
Banks' Controls over Abandoned Foreclosures

In September 2015, we initiated an audit of the Office of the Comptroller of the Currency's (OCC) oversight of banks' controls over abandoned foreclosures. Our audit objective was to evaluate OCC's guidance, risk assessment methodologies, examination procedures, and enforcement actions to address banks' risks associated with abandoned foreclosures.

We are terminating this audit because abandoned foreclosures is not considered an area of high risk based on the following interviews and research that we performed:

- OCC officials informed us that their focus has been on the front-end of the mortgage process and bank's foreclosure mitigation efforts and not on abandoned foreclosures. Officials also stated that OCC conducts examinations based on risk and does not consider abandoned foreclosures a high priority area. The same officials stated that while there are examination procedures for foreclosures (i.e. other real estate owned), there are no specific examination procedures for abandoned foreclosures. In addition, if OCC examiners believed the risk in the foreclosure area was high enough, it could cause the examiners to look at abandoned foreclosures.
- Foreclosure activity has decreased significantly over the past several years. According to data reported by HousingWire in *Black Knight: Foreclosure Starts Fall to Lowest Since April 2006* (December 23, 2015), the number of homes with foreclosure proceedings initiated against them hit the lowest level in 9 years as of November 2015. In addition, OCC's most recent quarterly mortgage performance report, *OCC Mortgage Metrics Report, Fourth Quarter 2015* (March 2016), showed that since the end of 2013,

foreclosure activity had declined steadily with a decrease of 15.9 percent from the end of 2014. OCC also reported that as mortgage performance improves, the need for other loss mitigation actions declines and that servicers had implemented 35,118 mortgage modifications in the fourth quarter of 2015 compared to 47,561 mortgage modifications in the same quarter of 2014. With abandoned foreclosures being a subset of foreclosures, we believe it is reasonable to conclude that the decrease in foreclosures has also led to a decrease in abandoned foreclosures.

In consideration of the above information, we believe that continuing the audit will not significantly enhance OCC's current practices related to abandoned foreclosures. Accordingly, we are terminating this audit.

Should you have any questions, please contact me at (202) 927-0384 or Jenny Ahn, Manager, Banking Audits, at (202) 927-8111.

cc: Mark Williams – OIG/GAO Liaison