



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

September 28, 2018

OIG-CA-18-027

MEMORANDUM FOR JOSEPH M. OTTING
COMPTROLLER OF THE CURRENCY

FROM: Deborah L. Harker /s/
Assistant Inspector General for Audit

SUBJECT: Audit Termination Memorandum – Oversight of Servicers’
Operational Improvements and Foreclosure Prevention
Actions

In October 2014, we initiated an audit of the Office of the Comptroller of the Currency’s (OCC) oversight of servicers’ operational improvements and foreclosure prevention actions.¹ The objectives of our audit were to assess OCC’s oversight of actions taken by servicers (1) to address those articles² of the 2011 foreclosure-related consent orders designed to correct the unsafe and unsound operational practices identified in the 2010 horizontal review³ of servicers’ foreclosure practices and (2) to provide a range of foreclosure prevention actions as required by the 2013 amended foreclosure-related consent orders.

Based on the work completed, we found that OCC provided oversight of actions taken by servicers (1) to address those articles designed to correct the unsafe and unsound operational practices and (2) to provide a range of foreclosure prevention actions.

¹ Servicers were Bank of America, N.A.; Citibank, N.A.; PNC Bank, N.A.; OneWest Bank; EverBank; JPMorgan Chase, N.A.; Santander Bank, N.A.; U.S. Bank National Association; Wells Fargo Bank, N.A.; and HSBC Bank USA, N.A.

² The 2011 foreclosure-related consent orders contained 13 articles in total. Of those 13 articles, OCC examiners needed to perform an assessment of the following articles: Article II Compliance Committee; Article III Comprehensive Action Plan; Article IV Compliance Program including the 2013 amendment – Foreclosure Prevention; Article V Third Party Management; Article VI Mortgage Electronic Registration System; Article VIII Management Information Systems; Article IX Mortgage Servicing; and Article X Risk Assessment & Risk Management Plan (Article X was not applicable to EverBank; OneWest Bank; or Santander Bank, N.A.).

³ OCC, the former Office of Thrift Supervision, the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System performed a horizontal review in 2010 in which the regulators simultaneously performed the same examination procedures related to residential mortgage servicing and foreclosure processing across a group of institutions.

- Correct operational practices - In June 2013, OCC created a mortgage servicing consent order work plan (work plan) for its on-site examiners to use to document findings for work performed cumulatively from the inception of the 2011 consent orders. The examiners' findings were mapped to specific consent order actionable requirements which resulted in 98 actionable items for national banks and 95 actionable items for federal thrifts. Once the work plan findings were mapped to the consent order actionable items, OCC identified the actionable items that had not been completed as an unfulfilled gap. In April 2014, OCC issued supervisory letters to the servicers that required the servicers to create new action plans that addressed how the servicers would "close the gap" and meet the unfulfilled requirements of the consent order. From the second quarter through the fourth quarter 2014, OCC's on-site examiners conducted supervisory work to determine whether the servicers had satisfied the remaining unfulfilled consent order requirements. In January and February 2015, OCC issued a second round of supervisory letters to convey its conclusions on compliance or non-compliance with the actionable articles of the consent order. OCC continued the process of verifying corrective actions to ensure compliance and ultimately terminated the foreclosure-related consent orders for Bank of America, N.A. (June 2015); Citibank, N.A. (June 2015); PNC Bank, N.A. (June 2015); OneWest Bank (July 2015); EverBank (January 2016); JPMorgan Chase, N.A. (January 2016); Santander Bank, N.A. (February 2016); U.S. Bank National Association (February 2016); Wells Fargo Bank, N.A. (May 2016); and HSBC Bank USA, N.A. (January 2017).
- Provide foreclosure prevention actions - Article IV of the February 2013 amended foreclosure-related consent orders required, among other things, that servicers provide relief to distressed borrowers through loan modifications and other foreclosure prevention activities and detailed a dollar amount of foreclosure prevention actions required for each servicer and how the actions would be credited. OCC engaged a third party provider, Joseph A. Smith Jr. Monitoring Ltd. (JAS Monitoring), to validate each servicer's foreclosure prevention activity submissions required under the amended foreclosure-related consent orders. JAS Monitoring provided foreclosure

prevention obligation satisfaction reports to OCC for all seven servicers⁴ as required by contract describing the work done to validate the servicers' satisfaction of its foreclosure prevention obligation under the amended consent order. We non-statistically selected and reviewed three of the seven foreclosure prevention satisfaction reports (Bank of America, N.A.; Citibank, N.A.; and JPMorgan Chase, N.A.) which summarized the foreclosure prevention activities by servicer and found that the three servicers fulfilled the foreclosure prevention requirements under the amended consent orders.

In consideration of OCC completing its oversight of servicers' operational improvements and foreclosure prevention actions in January 2017 and the fact that OCC terminated the foreclosure-related consent orders it issued in 2011 and 2013, we believe continuing our audit would not enhance the oversight process which has already been completed. Accordingly, we are terminating this audit. Also, please note that *Oversight of Servicers' Operational Improvements and Foreclosure Prevention Actions* (job code A-BS-15-005) will be removed from our *Monthly Status Report*.

Should you have any questions, please contact me at (202) 927-5400 or Jeff Dye, Audit Director, at (202) 927-0384.

cc: Mark Williams – OIG/GAO Liaison

⁴ JAS Monitoring was contracted to oversee the following seven servicers: Bank of America, N.A.; Citibank, N.A.; JPMorgan Chase, N.A.; Wells Fargo Bank, N.A.; HSBC Bank USA, N.A.; Santander Bank, N.A.; and U.S. Bank National Association. EverBank and PNC Bank, N.A. were not included because they met their foreclosure prevention assistance obligations by paying amounts into the qualified settlement funds or to the U.S. Department of Housing and Urban Development's approved nonprofit organizations providing borrower counseling or education servicers. OneWest Bank was excluded from this section as the servicer never entered into an amended consent order.