

## Corporate & Financial Weekly Digest

March 2, 2012 by [Jeffrey M. Werthan](#)

### **Federal Reserve Releases Action Plans To Correct Bank Mortgage Lending Deficiencies**

On February 27, the Federal Reserve Board released action plans for supervised financial institutions to correct deficiencies in residential mortgage loan servicing and foreclosure processing. It also released engagement letters between supervised financial institutions and independent consultants retained by the firms to review foreclosures that were in process in 2009 and 2010.

The action plans are required by formal enforcement actions issued by the Federal Reserve last year. The enforcement actions direct mortgage loan servicers regulated by the Federal Reserve to submit acceptable plans that describe, among other things, how the institutions will strengthen communications with borrowers by providing each borrower the name of a primary point of contact at the servicer; establish limits on foreclosures where loan modifications have been approved; establish robust, third-party vendor controls; and strengthen compliance programs. The Federal Reserve enforcement actions also require the parent holding companies of mortgage servicers to submit acceptable plans that describe, among other things, how the companies will improve oversight of servicing and foreclosure processing conducted by bank and nonbank subsidiaries. Finally, the enforcement actions further require the mortgage servicing subsidiaries to provide appropriate remediation to borrowers who suffered financial injury as a result of errors by the servicers. The engagement letters describe the procedures that will be followed by the independent consultants in reviewing servicers' foreclosure files to determine whether borrowers suffered financial injury as a result of servicer error.

For more information, click [here](#).

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