



FAS 140 Implications of Loan Restructurings

Pressures on Mortgage Servicing

Ken Markison

Senior Director and Regulatory Counsel

Mortgage Bankers Association

Accounting, Tax and Financial Analysis Conference

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Increased Foreclosures Have Led to New Pressures to Stop Them

- Delinquencies and foreclosures have risen in all loan categories.
- Ohio, Indiana and Michigan account for 8.7 percent of the mortgage loans in the country, but account for 19.9 percent of the nation's loans in foreclosure and 15.0% of all of the foreclosures started in the country during the first quarter.
- Without these three states, the percent of loans in foreclosure in the US would be below the average over the last 10 years.
- The economy is to blame for much of today's issues not product types. A cooling real estate market makes resets more challenging in the subprime market.

IMPORTANT NON-REGULATORY DEVELOPMENTS



DODD PRINCIPLES

- Concerns about borrowers facing resets led to the Dodd Principles
- Signed by several lenders and MBA
- Principles include:
 - Early contact with borrowers
 - Modify loans to create long term affordability
 - Dedicated staff and resources
 - Low-cost refinancing
 - Credit availability
 - Maximize success, minimize damage
 - Accountability
- Follow-up from Schumer and State AGs

PENDING LEGISLATION



- **Several bills recently introduced**
- **Schumer Bill suitability approach**
- **Miller, Watt, Frank Bill HR 3915 introduced Monday October 22, 2007 covers origination**
- **MWF combined Bachus Bill and Marked-Up November 6,2007**
- **Kanjorski Bill affects servicing**
- **These two bills likely to join and MWF may pass House next week**
- **Bankruptcy bill**

PENDING LEGISLATION

- **Kanjorski Legislation – Servicing and Appraisers - Keystone Bill**


Escrows

- **Mandatory escrows for subprime and 90% dti, etc**
- **Opt out requirement for all who choose no escrows**
- **Amendments to RESPA**
 - **Force place insurance**
 - **Defines and establishes findings and requirements for imposing and canceling**
 - **Prompt crediting of borrower payments**
 - **Escrows in computation of ability to repay**
 - **Quicker response times for qwr**
 - **Increased penalties**
 - **Studies on servicing**

Appraisers

- **Independence, licensing, right to appraisal by consumers**

PENDING LEGISLATION

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- **Bankruptcy Modifications**
 - **Would give new power to bankruptcy judges to write down mortgages**
 - **MBA opposes this change**
 - **Would add new costs to all borrowers to defray this new risk**
 - **Estimated 150-200 basis points**



Next Steps

- Senate action to develop a bill
 - Consideration given in the House to forcing loss mitigation
- Continuing efforts by lenders and servicers
 - Many gearing up
- Hopefully no bankruptcy bill
- Increasing pressure from the states
 - Follow-up by the Attorneys General for records and Congress as well