

Cindy, Charlie, Devon and Catherine,

Thank you all for sending me a copy of the draft of the proposed servicing regulations. Cindy and Charlie, thank you also for taking the time a few weeks ago to discuss the rules you were considering and the assessment. I finally had a chance to review the draft of the proposed rules, and have number of questions as to what the Department is looking to accomplish. Below are some of the questions that I or others with whom I have spoke have. If you get a chance to respond, I would appreciate it. Are you still on target to file the proposed rule on May 2nd?

1) To obtain a license only to service mortgage loans, will a separate license be issued under the Consumer Loan Act ("CLA"), or will it be the same license issued to those who make residential mortgage loans

2) Section 208-620-231 lists who must be licensed to service, and it lists 3 categories of persons, references two other section, and makes 1 other statement. Among others, the section indicates that licenses will be needed of: (1) "Persons servicing loans they originated, " (2) Persons servicing loans purchase post closing.

With respect to number (1), will entities licensed as consumer lenders under the CLA making residential mortgage loans need to be separately licensed to service the loans they originate? Or will obtaining a license to make residential mortgage loans provide the authority to service mortgage loans?

With respect to number (2), as I read it, persons purchasing closed mortgage loans who do not service the loans purchased, or purchase loans with the servicing rights, are not subject to licensing under the CLA. I believe this is the case today, so nothing new with this provision. Is that correct?

However, with respect to number (2) those persons purchasing residential mortgage loans who service the loans purchased or who purchase the loan with the servicing rights will need to be licensed under the CLA.

3) Section 208-620-231 also references two other sections This section references WAC 208-620-011(5), which identifies "regulated activities" and "regulated persons," who will need to be licensed. This section also references WAC 208-620-104, which section identifies who is exempt from licensing as a consume loan company. Perhaps, I am missing something, which is not unusual, but if the entities in section 208-620-104 are exempt from licensing as a consumer loan company, why reference them with the group that needs to be licensed as a servicer?

4) Section 208-620-231 also makes this statement "you must comply with the annual assessment for your residential mortgage loan servicing activity." This section then states See WAC 208-620-440, which is the assessment section. I am not sure what this sentence is intended to do. I do not see that it identifies any new persons who need to be licensed as mortgage loans servicers.

5) I see in section 208-620-011(5) (a) the “regulated activities” that constitute servicing of residential mortgage loans, and in (5) (b) the “regulated persons” who will need to be licensed as servicers.

The activities identified for the “regulated persons” are somewhat redundant. Is there a reason that a servicer should be distinguished from a subservicer?

Is (5) (a) intended to cover both performing mortgage loans and delinquent mortgage loans?

In (5) (b), why is there a distinction between a servicer and subservicer, as each is directly servicing mortgage loans?

In (5) (b) , I am not aware of a master servicer directly servicing mortgage loans, and if a master servicer serviced mortgage loans directly, it would appear to be servicer. What purposes is served by so defining a master servicer? I understand that a master servicer who is responsible for ongoing servicing administration through agreements with subservicer will be subject to licensing. Is that definition of master servicer not sufficient for purposes of identifying who needs to be licensed?

In (5)(c) , I understand that an investor in mortgage-backed securities is not subject to licensing and is not otherwise regulated under the CLA or these regulations. Pursuant to section 208-620-231, if I am correct, a person that purchase mortgage loans without the servicing rights is not subject to licensing. Would it not be appropriate to list such person under this “Persons Not Regulated” category of 208-620-011(5)(c) ?

6) The assessment provisions are unclear.

Section 208-620-440 (1) (a) provides for the calculation of assessment for loans made, brokered or purchased. If my understanding of section 208-620-231 is correct, those entities that purchase mortgage loans with the servicing rights will need to be licensed as mortgage loan servicers, but those entities that purchase mortgage loans without the servicing rights and who do not otherwise service mortgage loans will not need to be licensed as mortgage loan servicers. So with that in mind, when Section 208-620-440 (1)(a) says that the assessment is based on the loans purchased, as well as loans made or brokered, am I correct in understanding that this assessment speaks of loans purchased, it will apply only to those who purchase mortgage loan with the servicing rights (e.g. purchasing whole loans), and therefore need to be licensed?

Section 208-620-440 (b) provides that master servicer must report their MSR volume but will not be assessed for residential mortgage loan servicing conducted by a subservicer pursuant to a servicing agreement. This seems clear on its face, and that a master servicer will not be subject to the assessment for the servicing rights they hold when the servicing is conducted by a subservicer pursuant to a subservicing

agreement. Section 208-620-440(2) dealing with the calculation of assessments, supports this view, as the assessment is based on the total loan volume of the formula set out in that section and is not based on the servicing rights held. I believe this is what you told me when we spoke earlier this year, that master servicers will be subject to licensing, but will not be subject to the assessment.

The assessment is unclear for those actually servicing mortgage loans. Up to this point in my discussion of section 208-620-440, I do not see that servicers are subject to the assessment. However, a sentence in paragraph, 208-620-440(1)(b) reads that "Each license will pay a percentage of the regulatory cost based on the total annual volume of Washington residential mortgage loans serviced on January 1st." This sentence, coupled with the first sentence of section 208-620-440 (1) (b), suggests that mortgage loan servicers will be subject to the assessment. Clarification would be helpful.

As you can see, we are a bit confused of what will be required and what will not be required if these draft servicer regulations are adopted. I recognize that there are a number of questions, but I have tried to limit the questions to those that raised the most questions with the parties with whom I have discussed the draft proposed rules. Any direction or guidance would be welcome. Thank you. Gus

Costas A. Avrakotos

Mayer Brown LLP

Tel:+1-202-263-3219

Fax:+1-202-263-5317

1999 K St., NW

Washington, DC 20006

cavrakotos@mayerbrown.com