Veterans United Home Loans
Home Loans

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June 26, 2018

Charles Clark
Director of Consumer Services
Washington Department of Financial Institutions
150 Israel Rd. SW
Tumwater, WA

RE: Section WAC 208-620-520

Dear Director Clark,

Veterans United Home Loans submits the following comments regarding changes to Section WAC 208-620-520.

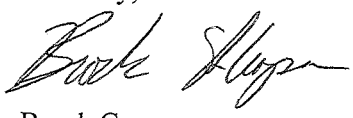
- Section WAC 208-620-520 creates a number of new retention requirements for servicers. While a majority of the new requirements are reasonable and are most likely carried out by prudent servicers currently, the addition of a requirement to maintain recorded phone conversations with borrowers for a period of three (3) years seems rather onerous. There is not a similar requirement in Federal Law related to the retention of call recordings for serviced loans. 12 CFR 1024.38(c)(2) requires the servicer to maintain notes of communications with the borrower for a period of one year following the discharge or transfer of servicing on a particular loan. The requirement to maintain recorded phone calls represents a significant dedication of storage space, on the part of the servicer, as those items take up far greater space than the text notes otherwise required. Given the new requirement that all cloud servers used for storage must be located in the United States, the additional cost of maintenance could represent a significant burden for some servicers.
    - Additionally, we seek to understand the purpose being met by retention of call recordings for a period of three years? Notes of the communication should be able to evidence that contact was made and the general content of the communication. Those notes as required by Federal regulation for maintenance of the Servicing file should be able to provide whatever information is sought by DFI.
- Section WAC 208-620-490 as proposed contains two new provisions (j) and (k) that require a servicer to notify DFI within 10 days of two events, 1) a servicer's capital falling GSE thresholds and 2) notification from a GSE of a breach of contract, waiver, nonperformance, or termination.
    - We suggest there needs to be some clarification around these items. Is it DFI's desire that any notification of a potential breach of contract with a GSE be reported to DFI or just those that have had an opportunity to be rebutted and have not been resolved?
    - We would propose that DFI amend the proposal to say that notification of a breach of contract, waiver, nonperformance or termination be required following the period for cure ending.
- For clarification, what does DFI intend to address in WAC 208-620-551(9) when it says, "You are prohibited from knowingly or recklessly improperly onboarding a residential mortgage loan into your loan servicing system." What constitutes improper onboarding?

Does this relate to the onboarding of loans that are in delinquency or modification status, or is there some other issue DFI is attempting to correct with this proposal?

- The requirement in WAC 208-620-920 (b) requires servicers to respond to requests for information from a borrower in fifteen (15) days rather than in the time line required by federal law in 12 CFR 1024.366(d). This addition to WA requirements will require servicers to create new processes specifically for compliance with the new DFI standard that exceeds the requirements of Federal Law. We would ask that DFI align any requirements to Federal guidelines to ensure that all requirements can be followed and borrowers do not receive substandard service as a result of different requirements.
- WAC 208-620-905 creates the requirement for a new escrow disclosure to be sent to the consumer in addition to the existing requirement for an annual escrow statement found in federal regulation. The new disclosure proposed by DFI addresses the reserve amount required in an escrow account. The existing federal escrow analysis requires that a cushion of no more than 1/6th of the estimated annual disbursements be included in any escrow analysis. As a result, the disclosure proposed by DFI would be in addition to the escrow analysis required by 12 CFR 1024.17 and could be seen as confusing and burdensome to the consumer. The disclosure required by 1024.17 requires a servicer to inform a consumer of a shortage and ways to address the estimated shortage as well surpluses that may be due to the consumer. The shortage and deficiency notification requirements of 12 CFR 1024.17 seem to address the same items DFI intends to present to consumers in 208-620-905.
- WAC 208-620-930 largely represents some positive developments for consumers. The proposed requirement of (2)(a) however, would require a large investment of time and resources for servicers to develop an electronic system for consumers to check the status of a loan modification. Currently the technology is not believed to exist in a servicing context and would require a large amount of development. While some consumers seek to interact with their servicer through purely electronic means, this does not address the needs of all consumers. The amount of time and resources required to develop such a system would undoubtedly increase the cost of servicing, which in turn would generate an increase in fees charged to borrowers.

Director Clark, thank you for the opportunity to comment and for your work on behalf of the citizens of Washington.

Sincerely,



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