

FOR IMMEDIATE RELEASE – March 30, 2010

Contact: LuAnn Canipe (202) 225 -6089/email: luann.canipe@mail.house.gov

Washington, D.C. – Just moments before the House adjourned last week, **Reps. Brad Miller (D-NC)** and **Keith Ellison (D-MN)**

, both Members of the Financial Services Committee, introduced legislation that will eliminate a conflict of interest that may be preventing large mortgage companies from modifying troubled mortgages voluntarily. Many large mortgage companies own second mortgages on the same homes that they service. These secondary mortgages are an investment, creating a conflict of interest. The bill, H.R. 4953 – the Mortgage Servicing Conflict of Interest Elimination Act – would prohibit mortgage servicers from owning debt secured by a home that secures a mortgage that they service.

Two-thirds of all distressed mortgages are now serviced by the four largest banks - Bank of America, Wells Fargo, Chase and Citibank. These banks own about \$477 billion in second liens

"Servicers are required to act in the best interests of the investors who own the mortgages. In many, those four banks hold interests in other debt secured by the same home that would be affected by a decision to modify the mortgage or to foreclose, placing the banks' interests in irreconcilable conflict with the interests of investors," said **Rep. Miller**

"The obvious conflict of interest between the investors and servicers may well be a factor in the failure of servicers to modify mortgages voluntarily," said **Rep. Ellison**.

The bill gives servicers a reasonable time to divest themselves either of any interests in home

mortgages, or the authority to service mortgages. The likely outcome would be that the four biggest banks would "spin off" their mortgage servicing business, which would resolve the conflict of interest between servicer and investors and result in smaller, less complex banks.

###