



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

April 25, 2014

MEMORANDUM FOR THOMAS J. CURRY  
COMPTROLLER OF THE CURRENCY

FROM: Marla A. Freedman  
Assistant Inspector General for Audit

SUBJECT: Audit Termination Memorandum – Review of OCC's  
Supervision of Home Loan Modification Programs

In December 2010, we initiated an audit of the Office of the Comptroller of the Currency's (OCC) supervision of national bank home loan modification programs. Our audit objective was to determine whether OCC examination processes ensure banks have implemented meaningful programs to modify troubled mortgages when appropriate. For the reasons discussed below, we are terminating this audit.

Fieldwork on this audit was completed but a discussion draft report was not issued as our resources were focused on other audit priorities. These priorities included audits in related areas of OCC supervision such as national bank foreclosure practices (OIG-12-054), foreclosure-related consent orders (OIG-13-049), and amended foreclosure-related consent orders (Reporting in Process).

Our fieldwork, performed in 2011, found that OCC performed various supervisory actions to test programs that national banks had in place to modify troubled mortgages but that formal examination procedures in the Comptroller's Handbook for Mortgage Banking did not cover home loan modifications. Since our fieldwork, OCC has undertaken a number of initiatives that impact supervision of home loan modification programs, including:

- Completing the Interagency Review of Foreclosure Policies and Practices and issuing foreclosure-related consent orders to address deficiencies and unsafe and unsound practices in residential mortgage servicing, including those related to loss mitigation and loan modification processes. We have noted that work to evaluate the sufficiency of servicers' corrective action plans is ongoing.
- Overseeing servicers' compliance with amended foreclosure related consent orders. These amended orders required that servicers provide cash payments

to potentially harmed borrowers, including those that may have suffered harm from deficiencies in modification processing. In addition, these orders required servicers to meet targets for performing foreclosure prevention actions such as modifications.

- Updating the Comptroller's Handbook for Mortgage Banking to include a more in-depth discussion of modifications in both the background and examination procedures.

Over the course of the past 3 years, OCC focused significant examination resources on foreclosure and loss mitigation processes at national banks and federally regulated savings associations. In consideration of the above actions, we believe that issuing a report based on fieldwork performed prior to these initiatives will not significantly enhance OCC's current supervision of national bank home loan modification programs. Accordingly, we are terminating this audit.

Should you have any questions, please contact me at (202) 927-5400 or Jeffrey Dye, Director, Banking Audits, at (202) 927-0384.

cc: Laura McAuliffe, Senior Advisor – OIG/GAO Liaison