

## Why GAO Did This Study

In April 2011 consent orders, the Office of the Comptroller of the Currency (OCC), Federal Reserve, and the Office of Thrift Supervision directed 14 mortgage servicers to engage third-party consultants to review 2009 and 2010 foreclosure actions for cases of financial injury and provide borrowers remediation. To complement these reviews, the regulators also required servicers to establish an outreach process for borrowers to request a review of their case. This report examines (1) the extent to which the development of the outreach approach and content of the communications materials and website reflected best practices, and (2) the extent to which the planning and evaluation of the outreach and advertising approach considered the characteristics of the target audience. To conduct this work, GAO reviewed the design and implementation of borrower outreach activities and materials against best practices and federal guidelines and interviewed representatives of servicers, consultants, community groups, and regulators.

## What GAO Recommends

OCC and the Federal Reserve should enhance the language on the foreclosure review website, include specific remediation information in outreach, and require servicers to analyze trends in borrowers who have not responded and, if warranted, take additional steps to reach underrepresented groups. In their comment letters, the regulators agreed to take actions to implement the recommendations, while the Federal Reserve took issue with GAO's criteria. OCC also took issue with GAO's criteria in its technical comments.

View [GAO-12-776](#). For more information, contact Lawrence L. Evans, Jr. at (202) 512-8678 or [evansl@gao.gov](mailto:evansl@gao.gov).

## FORECLOSURE REVIEW

### Opportunities Exist to Further Enhance Borrower Outreach Efforts

## What GAO Found

Regulators and servicers have gradually increased their efforts to reach eligible borrowers and have taken steps to improve communication materials. Conducting readability tests or using focus groups are generally considered best practices for consumer outreach, but regulators and servicers did not undertake these activities. Staff at the Board of Governors of the Federal Reserve System (Federal Reserve) said that this was, in part, a trade off to expedite the remediation process. Regulators also did not solicit input from consumer groups when reviewing the initial communication materials. Readability tests found the initial outreach letter, request-for-review form, and website to be written above the average reading level of the U.S. population, indicating that they may be too complex to be widely understood. Regulatory staff noted limitations to such readability tests and told us they discussed using plain language, but that the use of some complex mortgage and legal terms was necessary for accuracy and precision. Clear language on the independent foreclosure review website is particularly important as current outreach encourages borrowers to submit requests for review online. Communication materials developed by mortgage servicers with input from regulators and consultants included information about the purpose, scope, and process for the foreclosure review and noted that borrowers may be eligible for compensation. However, the materials do not provide specific information about remediation—an important feature to encourage responses as suggested by best practices and reflected in notification examples GAO reviewed. Without informing borrowers what type of remediation they may receive, borrowers may not be motivated to participate.

The outreach planning and evaluation targeted all eligible borrowers with some analysis conducted to tailor the outreach to specific subgroups within the population. In approving the outreach plan, regulators considered the extent to which the plan promoted national awareness and was appropriate to reach the demographics of the target audience. The outreach process was largely uniform with some targeted outreach to Spanish-speaking and African-American borrowers. GAO has previously found that effective outreach requires analysis of the audience by shared characteristics, but regulators did not call for servicers to analyze eligible borrowers by characteristics, such as limited English proficiency, that may have affected their response. While regulators have identified community groups as effective messengers and encouraged servicers to reach out to them, servicers have leveraged these groups to varying degrees. According to consumer groups, borrowers may have ignored communication materials because they did not understand who provided the information and believed the materials were fraudulent. Regulators regularly monitored the status of the outreach activities and analyzed the effect of advertising on response rates. GAO has previously found that analyzing past performance when expanding activities is important. Regulators did not analyze characteristics of respondents and nonrespondents in introducing a second wave of outreach activities. Without this analysis, regulators may not know if certain groups of borrowers are underrepresented in the review. As a result, whether additional outreach to target these groups or changes to the file review process are needed to help ensure that all borrowers have a fair opportunity for review is unclear.