**From:** Dwayne Thompson, 317.863.3372, x4077 [mailto:dthompson@university-lending.com]
**Sent:** Tuesday, December 06, 2011 5:01 PM
**To:** #Servicing Compensation
**Subject:** Fee for Service

December 6, 2011

Mr. Edward DeMarco

Acting Director

Federal Housing Finance Agency

1700 G Street, NW, 4th Floor

Washington, DC 20552

 Dear Mr. DeMarco,

As an employee of a community bank that is dedicated to mortgage banking, I heartily agree that mortgage servicing must be accounted for in a new manner.  The working paper “Alternative Mortgage Servicing Compensation Discussion Paper” presents a reasonable approach in the “Fee for Service” model.

Fee for Service will give small institutions that are concerned by the volatility of MSR valuations the opportunity to eliminate this substantial risk.  Fee for Service is the reasonable choice as it gives each servicer the opportunity to service mortgage loans without adding the risks associated with the MSR asset or to elect to retain excess in the form of I/O value should they choose.

In the case of community bank, credit union and small mortgage bank servicers, Fee for Service will give the ability to retain servicing with much less risk and at the same time keep the relationship with the borrower.  Often the MSR is sold to the “Mega-bank” servicers because of the risk of holding MSR and the fees the “Mega-banks” are paying for the MSR.

Fee for Service should be the structure for agency servicing going forward.

Sincerely,

**Dwayne M. Thompson**

AVP - Branch Manager

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