MetLife Penalized $3.2M for Servicer's Infractions

By: Jann Swanson | Tue, Aug 7 2012, 12:25 PM

MetLife, Inc. has agreed to pay **$3.2 million** to the Federal Reserve as a monetary sanction for failing to adequately oversee operations of its subsidiary **mortgage loan servicing unit's foreclosure processing**. The Fed charged these oversight deficiencies represented unsafe and unsound practices and ordered corrective measures in a formal enforcement action in April 2011.

In a press release from the Board of Governors the Fed said that the monetary sanctions take into account the maximum statutory limits for **unsafe and unsound practices**, the comparative severity of MetLife's misconduct and size of its foreclosure activities and were similar to those levied in sanctions against five other servicing organizations. The earlier actions, popularly known at the $25 billion servicer settlement, required those five organizations to provide payments and designated monetary assistance and remediation to mortgage borrowers. The Board said the monetary sanctions against MetLife "contemplate the possibility of a similar settlement under which MetLife agrees to provide borrower assistance or remediation."

Specifically, if by June 30, 2013 MetLife enters into a settlement with the attorneys general and Justice Department similar to the $25 billion settlement it will have two years to expend the portion of that settlement designated for borrower assistance or remediation after which the residual must be paid to the Federal Reserve. If no settlement is reached with the attorneys general then MetLife will likewise be required to pay to the Fed any residuals designated for borrower assistance or remediation under the sanctions announced today. Any money paid by MetLife to the Board will be remitted to the U.S. Treasury.

The Federal Reserve said it has moved against MetLife at this time because of the company's publicly announced decision to sell its subsidiary deposit-taking operations which, if approved by regulators, would mean the company would no longer be a bank holding company.

It appears that seven companies remain against whom the Board has not taken action. The press release said the Board "continues to believe that monetary sanctions in the remaining cases are appropriate and plans to announce monetary penalties against those organizations."

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