# Fed boss: Regulators probing foreclosure

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WASHINGTON — Federal banking regulators are examining whether mortgage companies cut corners on their own procedures when they moved to foreclose on people's homes, Federal Reserve Chairman Ben Bernanke said Monday.



Bernanke

Preliminary results of the in-depth review into the practices of the nation's largest mortgage companies are expected to be released next month, Bernanke said in remarks to a housing-finance conference in Arlington, Va.

"We are looking intensively at the firms' policies, procedures and internal controls related to foreclosures and seeking to determine whether systematic weaknesses are leading to improper foreclosures," Bernanke said. "We take violation of proper procedures very seriously," he added.

The central bank's decision adds weight to federal and state investigations into whether banks used flawed documents to foreclosure on homeowners.

Attorneys general in all 50 states plus the District of Columbia are jointly investigating whether paperwork and legal procedures were handled properly. At the federal level, the Treasury's Office of the Comptroller of the Currency asked seven big banks to examine their foreclosure practices. The OCC and the Federal Deposit Insurance Corp. are also working with the Fed on its examination.

In addition to probing the banks handling of foreclosure documents, Fed staffers and other agencies are evaluating the potential effects of the foreclosure debacle on the real-estate market and on financial institutions, Bernanke said.

The Federal Reserve oversees bank holding companies including Citigroup, Bank of America, JPMorgan Chase & Co., and Wells Fargo.

The inquiries come as Bank of America and Ally Financial Inc.'s GMAC Mortgage have resumed processing foreclosures, after halting them temporarily to review documents. Both lenders face allegations

mess

that employees signed but didn't read foreclosure documents.