

The Commonwealth of Massachusetts

Office of the Commissioner of Banks

One South Station

Boston, Massachusetts 02110

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GOVERNOR

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OFFICE OF CONSUMER AFFAIRS
AND BUSINESS REGULATION

June 4, 2004

Patrick J. Motil
Compliance Officer
Matrix Financial Services Corporation
2133 West Peoria Avenue
Phoenix, Arizona 85029

Dear Mr. Motil:

This letter is in response to your April 13, 2004 email to the Massachusetts Division of Banks (the "Division") on behalf of Matrix Financial Services Corporation ("MFSC"), relative to the licensing requirements applicable to mortgage servicing companies in Massachusetts.

Your letter advises that MFSC is a wholly-owned mortgage servicing subsidiary of a federally chartered thrift, Matrix Capital Bank (the "Bank"), regulated by the Office of Thrift Supervision ("OTS"). Your inquiry concerns the licensing obligations applicable to loan servicing in Massachusetts. Specifically, you ask whether licensing is required in order for MFSC to service loans it has originated or loans it has purchased. You also ask whether subsidiaries of federally chartered banks and thrifts are exempt from such requirements.

Debt collection and third-party loan servicing activities are governed under the provisions of General Laws chapter 93, sections 24 through 28, inclusive, as recently amended by the Chapter 130 of the Acts of 2003. Pursuant to section 24A subsection (b) of said chapter 93A, no person may act as a "third party loan servicer," without first registering with the Division. As defined in Section 24, a third party loan servicer is "a person who uses an instrumentality of interstate commerce or the mails in any business



the principal purpose of servicing a loan directly or indirectly, owed or due or asserted to be owed or due another.” “Servicing” is defined as,

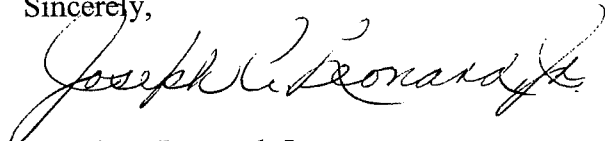
“receiving a scheduled periodic payment from a borrower pursuant to the terms of a loan, including amounts for escrow accounts, and making the payments to the owner of the loan or other third party of principal and interest and other payments with respect to the amounts received from the borrower as may be required pursuant to the terms of the servicing loan document or servicing contract. In the case of a home equity conversion mortgage or reverse mortgage as referenced in this section, servicing includes making payments to the borrower.”

Thus, registration is required in order for an entity to service loans owned by another, even if the servicing entity had originated or at any time held title to the loan. An entity servicing a portfolio of loans it has purchased and retained would not be considered a third party loan servicer. However, an entity that purchases and collects *delinquent debts* may fall within the definition of a “debt collector.” Unless otherwise exempted, a debt collection license would be required.

Pursuant to section 24A subsection (c), certain entities, including the subsidiary of a federally-chartered savings association, are exempted from both the registration and licensing requirement. Therefore, to the extent that MFSC continues to be a wholly-owned subsidiary of Matrix Capital, the registration requirement would not apply to its Massachusetts operations.

The conclusions reached in this letter are based solely on the facts presented. Fact patterns which vary from that presented may result in a different position statement by the Division.

Sincerely,



Joseph A. Leonard, Jr.
Deputy Commissioner of Banks
and General Counsel

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