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What is a pooling and servicing agreement (PSA) in the mortgage industry?

A pooling and servicing agreement (PSA) lays out the rules governing a bundle of securitized mortgage loans.

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A Pooling and Servicing Agreement (PSA) is the legal document that lays out the rights and obligations of certain parties over a pool of securitized mortgage loans. Read on to learn more about what a "securitized" mortgage loan is, how mortgage loans are securitized, and how the PSA relates to the securitization transaction.

Understanding Basic Mortgage Transactions and Securitized Loans

To understand PSAs, you first must understand basic mortgage transactions and the securitization process.

Basic Mortgage Transactions

When you take out a loan to buy a home, the lender provides you with the money to make the purchase in exchange for your promise to repay the loan plus interest. This promise is contained in the promissory note. (To learn more about

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mortgage terminology, see our Mortgage & Foreclosure Terminology topic area.)

As part of the transaction, you also put up the home as security for the loan. The mortgage is the document that pledges the home as collateral for the loan. (Learn more about the difference between mortgages and promissory notes.)

The Securitization Process

In a process called securitization, multiple loans (including both the promissory note and the mortgage) with similar characteristics are pooled, and then sold in the secondary market, often to a trust. Basically, securitization takes individual mortgage loans, bundles them into a package, and turns them into marketable securities (called “mortgage-backed securities”) that can be bought and sold.

An individual loan that is part of the pool is considered a securitized mortgage loan.

Who’s Who in the Securitization Process

The key parties in the securitization process are:

Originators. The originators are the parties that initially create the assets that will be securitized. In the mortgage industry, the original lender (typically a bank or mortgage lender) is considered an originator.

Investors. Investors purchase shares or certificates in a mortgage loan pool and are entitled to receive payments from the trust that holds the pool.

Trustee. The trustee oversees the trust and protects the investors’ interests.

Loan servicer. The servicer manages the loans that make up the pool.

Pooling and Servicing Agreement

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(PSA)

The PSA is the contract that governs the relationship between the various parties in the securitization process and controls what can and cannot be done with the trust.

The PSA will state (among other things):

- the exact steps needed to create a trust
- how bundled mortgage loans are transferred into the trust
- how securities are issued, and
- the duties, rights, and obligations of each party.

For example, the PSA will describe the servicer's compensation. Often, the servicer is entitled to retain the late charges, NSF fees, reconveyance fees, assumption fees, or other fees that it collects. (Learn about the different types of fees that can be charged on mortgage loans.)

The PSA will also carefully describe the loan servicer's responsibilities pertaining to collecting payments, handling loss mitigation (including the authority to modify loans), and foreclosure.

Finding a Copy of the Pooling and Servicing Agreement

If the securitization is public, the PSA will be filed with the Securities and Exchange Commission (SEC) and you can find a copy at www.sec.gov.

How to Find a PSA on the SEC Website
In many instances, a foreclosure will be filed in the name of the securitized trust. For example, say you are facing a judicial foreclosure and the plaintiff in the lawsuit is "Ameriquest Mortgage Securities Inc. Asset-Backed Pass-Through Certificates, Series 2002-AR1." (Read more about How Judicial Foreclosure Works.)

The easiest way to find the PSA is to first click on "Company Filings" at the SEC's homepage. Then simply enter "Ameriquest" in the "Company Name" box and hit "Search." This will bring up a list of securitized pools of loans with Ameriquest in the title. Look through the list to find the name of the trust that is listed in the foreclosure documents.

Then, click on the CIK number (the number the SEC uses to identify the filings of a company) next to the trust name. This pulls up a list of the documents filed with the SEC that are associated with this trust. The PSA may be a stand-alone document or it could be included as part of another document, usually the “Prospectus.”

Not all trusts are listed with the SEC so you may not be able to find the PSA related to your loan using this method.

When to Hire an Attorney

PSAs are very complicated and can be hundreds of pages long. If you are facing foreclosure and your loan has been securitized, you may want to speak to an attorney to help you understand the intricacies and the issues surrounding securitization as it pertains to your individual situation.

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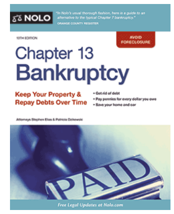

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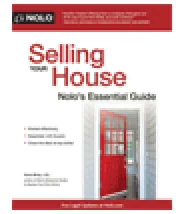

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