

FEBRUARY 9, 2012

STATEMENT REGARDING FORECLOSURE SETTLEMENT BETWEEN U.S. ATTORNEYS GENERAL AND BIG BANKS

BOSTON, Mass.—A coalition of state Attorneys General (AGs) and the federal government have announced a settlement with five national mortgage servicers that resolves their investigation of the robo-signing scandal and other abuses in the foreclosure process. “We commend the federal and state agencies for their focus on these abuses and their commitment to homeowners devastated by the foreclosure crisis,” said National Consumer Law Center (NCLC) Attorney Diane Thompson. “Homeowners are better off today with the settlement than they were yesterday without it. This settlement is a start toward filling the gap left by the failure of the U.S. banking agencies and Congress to address the foreclosure crisis. This resolution raises the bar for future efforts to address the foreclosure crisis. However, much work remains to be done. The Consumer Financial Protection Bureau should act quickly to build on the standards in today’s settlement to provide relief to all homeowners and states must support strong mediation programs to improve the settlement’s implementation.”

The settlement makes important progress in the following areas:

- Establishing strong standards for how mortgage servicers handle loan modifications, including requiring a review of a loan modification application prior to initiation of any foreclosure. This change alone could save many homeowners from foreclosure.
- Setting limitations on abusive fees and charges, including late fees, title and appraisal fees, and force-placed insurance.
- Providing some principal reductions to struggling homeowners, including those in lower-income areas and communities of color. A nationwide process of reducing principal for more homeowners is still sorely needed.

Most importantly, this settlement protects homeowners by

- Preserving a homeowner's right to defend a foreclosure against mortgage company and servicer abuses.
- Forbidding waiver of claims in the loan modification context.
- Allowing homeowners to pursue independent litigation against mortgage servicers for abusive acts.

States can act to ensure the settlement meets its promise by adopting mediation programs that promote resolutions for homeowners facing foreclosure as noted in NCLC’s recent report, *Rebuilding America: How States Can Save Millions of Homes Through Foreclosure Mediation* (available at www.nclc.org/foreclosures-and-mortgages/rebuilding-america.html).

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The National Consumer Law Center[®] (NCLC[®]) is a non-profit organization specializing in consumer issues on behalf of low-income and other vulnerable people. Since 1969, NCLC has worked with legal services and nonprofit organizations as well as government and private attorneys across the United States, to create sound public policy for low-income and elderly individuals on consumer issues.