

Understanding the National Mortgage Settlement

A Roadmap for Housing Counselors

Brought to you by



Presenters

- **Odette Williamson**
National Consumer Law Center
- **Bruce Dorpalen**
National Housing Resource Center

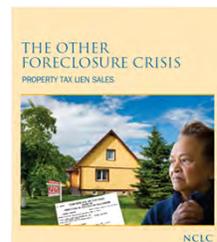
Presenters

- **Ellen Bardeen**
Experienced Housing Counseling Manager
- **Joseph Chambers**
Office of the Connecticut Attorney General
- **Michael Moore**
Office of the Florida Attorney General

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National Consumer Law Center

- Advocates on behalf of low-income consumers
- Provide training, legal analysis, case consultation and advocacy on consumer law issues
- In-person and online training to housing counselors and attorneys
- Books and manuals
- Visit our website: www.nclc.org



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National Housing Resource Center

- **Advocate** for increased and programs for non-profit housing counseling community
- **Mobilize** counseling agencies, networks, and intermediaries on housing issues
- **More than 200+ resources, policy positions, and more** for the housing counseling community: hsgcenter.com
- **Join our mailing list** by clicking [Join our mailing list](#) or go to: <http://www.hsgcenter.org/learn-more-about-nhrc/>



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About This Course

- **Two-part series on National Mortgage Settlement**
 - Focus on Settlement's standards for servicing mortgage loans
- **Part one:** *Settlement's servicing standards*
- **Part two:** *Settlement and CFPB servicing standards*

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Today's Agenda

- **Overview of the National Mortgage Settlement**
 - Servicing standards
- **Putting the standards to work**
 - Tips & tools for housing counselors
- **National Mortgage Settlement Checklist**

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Next Week's Session

- Servicing standards continued
- CFPB mortgage rules
- Escalating problem cases using the Checklist
- Whom to call for what

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UNDERSTANDING THE NATIONAL
MORTGAGE SETTLEMENT:
A GUIDE FOR HOUSING COUNSELORS



May 2013

NCLC
NATIONAL
CONSUMER
LAW
CENTER

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Overview of the National Mortgage Settlement

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National Mortgage Settlement

Settlement between 49 state attorneys general, the federal government and five leading servicers

- Addresses abuses in servicing of loans in foreclosure
- Investigation into robo-signed affidavits bootstrapped other servicing issues

▪ **Official website:**

www.nationalmortgagesettlement.com



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The Investigators

- **State Attorneys General**
- **Dept. of Housing and Urban Development (HUD)**
- **Department of Justice**
 - U.S. Trustee Program
- **U.S. Attorney's Office**
 - Eastern District of New York
 - District of Colorado

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National Mortgage Settlement

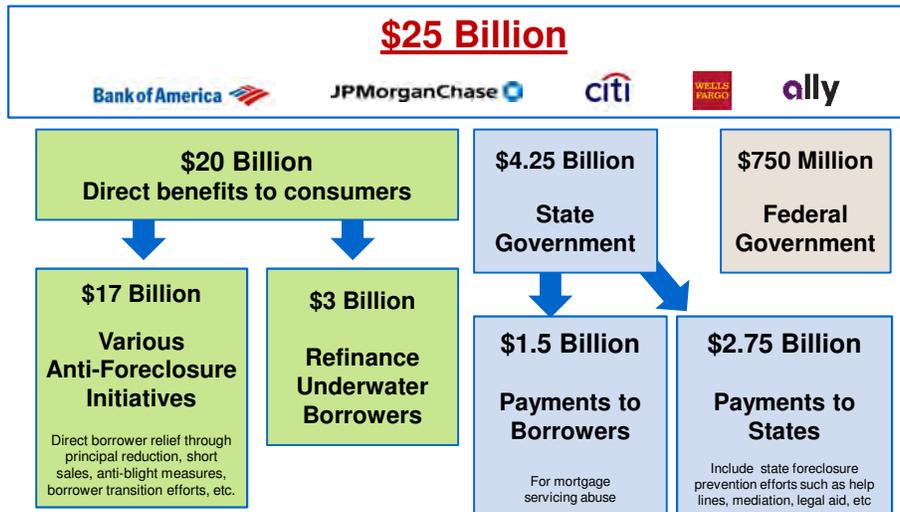
- **\$20 billion in financial assistance to borrowers**
 - Modification and refinance programs
 - Direct payments to foreclosed upon borrowers

- **\$5 billion in cash payments to state attorneys general and the federal government**

- **Mortgage servicing reforms**

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Where did the money go?



Who are the five servicers?



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Poll Question No. 1

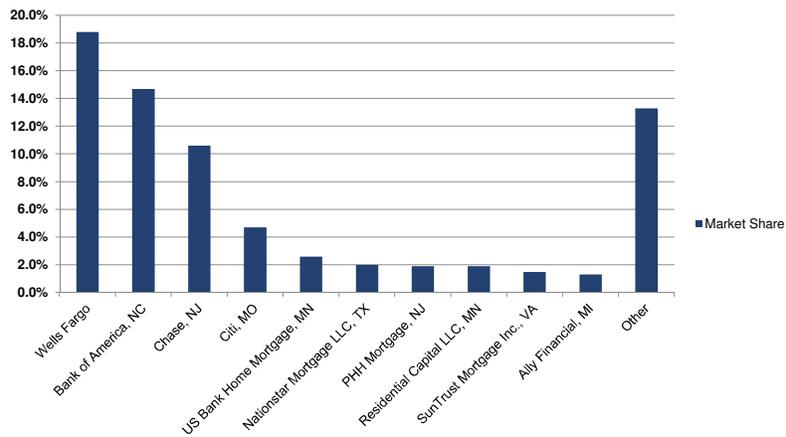


■ Who was a top five mortgage servicer at the end of 2012?

- A. Chase
- B. Wells Fargo
- C. Citi
- D. All of the above

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Top Mortgage Servicers In 3Q of 2012



Data Source: *Inside Mortgage Finance Issue*

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What was negotiated?

Broad release of the governments' legal claims related to 5 servicers' conduct related to

- Mortgage loan servicing
- Foreclosure preparation
- Mortgage loan origination

The government did not release legal claims related to

- Criminal conduct
- MERS
- Securitization claims
- Fair lending claims
- Claims of third parties (e.g. borrowers)

Servicers cannot require borrowers to waive or release any legal claims

Servicers will get credit for providing consumer assistance under the terms of the Settlement

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Assistance to Homeowners

Various forms of financial assistance to current homeowners

- **First and second lien modification programs**
 - Borrowers who are underwater
- **Refinance program for borrowers who are current but underwater**
 - The servicer will notify eligible borrowers



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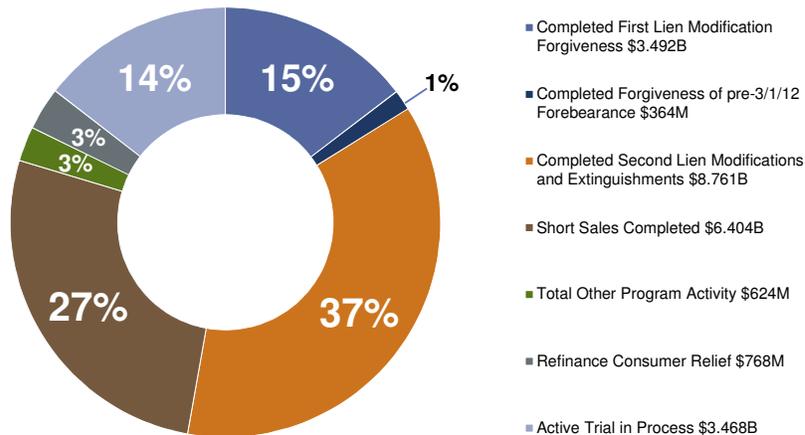
Other Forms of Assistance



- Forbearance for unemployed borrowers
- Protections for military service-members
- Waive deficiency balances
- Anti-blight initiatives
- Short sales

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Total Consumer Relief 4Q \$23.9B



Data Source: Office of Mortgage Settlement Oversight, *Ongoing Implementation: A report from the Monitor of the National Mortgage Settlement* (February 21, 2013)

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Money to Former Homeowners



- **Cash payment to former homeowners**
 - Lost homes between January 1, 2008 and December 31, 2011
 - Minimum payment will be \$840
- **Eligible former homeowners should have received a letter**
- **Deadline to submit claim form was January 18, 2013**

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Enforcement of the Settlement

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Enforcement of the Settlement

- Series of metrics to measure servicers' compliance with terms of Settlement
- Monitoring committee will report back to the state attorneys general and the court
- Pattern of significant, uncured violations of the Settlement

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Enforcement of the Settlement

- Banks have three years to meet the requirements
- Any contract for sale or transfer of loan must obligate the new servicer to accept and continue processing the loan modification

Great for borrowers who have started a loan mod application or agreement before servicing is transferred!



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What is OMSSO?

- **Office of Mortgage Settlement Oversight**
 - Created under the terms of the Settlement
 - Monitor servicers' compliance with the servicing standards and other terms of the settlement
- **Monitor Joe Smith**
 - Former Commissioner of Banks from North Carolina

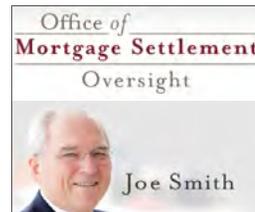


Image Source: www.mortgageoversight.com

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OMSO Website

- Learn more at: www.mortgageoversight.com



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More About OMSO

- Consumers, counselors and other professionals can report problems with servicers on OMSO's website
- Help Monitor identify servicers' violation of the agreement
- Will not mediate disputes between counselors and servicers

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QUESTIONS



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The Servicing Standards

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Servicing Standards

- Detailed guidelines regarding almost every aspect of servicing delinquent loans
- Guidelines related to general servicing functions
- 304 servicing standards
- Servicers required to be in full compliance as of October 2, 2012

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Servicing Standards

Standards apply to servicing all loans

- Including portfolio loans
- Including loans owned or securitized by Fannie Mae or Freddie Mac

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Benefits for Housing Counselors



- **Streamlines** the workout process
- Established **clear guidelines**
- **Requires disclosure** of more information regarding modifications
- **Limits of fees and charges**
- **Places limits on dual tracking**
- Requires **dedicated staff**
- Creates loan modification **timelines**

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Having your say: National Mortgage Settlement Checklist

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Having your say: Checklist

- Document violations of servicing standards
- Streamline the reporting of violations of the servicing standards
- Escalate problem cases



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Sally Homeowner



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Servicing Loans That Are Current

- Perform certain general tasks on all loans
- Send a monthly statement
- Monthly statement not required if borrower is provided with a coupon book for a fixed-rate mortgage

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Servicing Loans That Are Current

New statement helps counselors respond to borrowers' questions about:

- Payment allocations
- Payment changes
- Fees
- Escrow status



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Servicing Loans That Are Current

- Accept and apply payments promptly
- Credit payment within two business days of receiving the payment
- Accept partial payments that are within \$50 of the scheduled payment
- Payments made from suspense account must:
 - Include principal, interest and escrow (if applicable) *first* before taking money for servicing-related fees

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Restrictions on Fees and Charges



- Fees **must be bona fide** and reasonable
- Fees **must be disclosed** in statements
- **List of common fees** posted on website
- **Fee schedule** provided to borrowers on request

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Restrictions on Fees and Charges

FEE DESCRIPTION	FEE AMOUNT
Appraisal An expense charged to the loan to determine the value of the property, which includes an interior inspection of the property.	\$350 to \$550.
Assumption Charge for the work involved with processing a new buyer that is assuming the terms of an existing loan.	1% of the UPB or \$250, whichever is greater.
Bankruptcy Fees and Costs	\$0.00 to \$5,000.00
BPO An expense charged to the loan in which a broker's price opinion will be used to determine the value of a property on a delinquent loan.	\$0.00 to \$125.00
Foreclosure Fees and Costs	\$0.00 to \$5,000.00
Late Charge Assessed for payments received after the due date and expiration of any applicable grace period per the loan documents.	As stated in the loan documents, subject to state law requirements.
Litigation Fees and Costs	Varies depending on the circumstances and is not always charged to the customer's loan, but is \$0 to \$50,000
Non Sufficient Funds Fee Fee assessed on payments/checks received that are not honored due to insufficient funds.	\$0.00 to \$20.00, subject to state law requirements.
Partial Release Charge for the processing the release of a portion of the mortgaged property.	Loan balance \$300,000 or less - \$0.00; loan balance greater than \$300,000 less than \$750,000 - \$500.00; loan balance greater than \$750,000.00 - \$1,000.00.

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Sally Homeowner



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Communicate with Borrower



- **Reach out to the borrower early and often**
 - Provide information on housing counseling
- **Provide a single-point of contact after the borrower requests assistance**
- **Must communicate with housing counselor when borrower provides written authorization**

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Single Point of Contact



- **Knowledgeable** about borrower's situation
- **Discuss** all options
- **Handles** documents
- **Remain available** until borrower brings loan current or exhausts all options

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Single Point of Contact



- **Transfer** calls to supervisor when asked to do so
- Have **access** to those with the authority to stop a foreclosure sale

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Poll Question No. 2



Under the Settlement servicers cannot discourage borrowers from working with nonprofit housing counselors.

- True
- False

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Poll Question No. 2



Under the Settlement servicers cannot discourage borrowers from working with nonprofit housing counselors.

- True
- False

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Online Loan Portals

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Online Loan Portals

Loan portals should allow **BORROWERS** to:

- Find information and eligibility factors for proprietary loan modifications and other programs
- Submit documents electronically
- Obtain an electronic receipt for documents submitted
- Check the status of their first lien loan modification

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Online Loan Portals

Loan portals should allow **SERVICERS** to:

- Communicate with borrowers to satisfy written communication requirements
- Update the status of pending loan modifications every 10 business days

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Citi Website

- **Information and eligibility factors** for proprietary loan modifications and other programs

1. Click "Homeowner Support"

2. Click "National Mortgage Settlement"

3. Scroll down for more info

Program and Eligibility Guides
To learn more about eligibility, steps to follow for assistance, and documents needed for your application, view our program and eligibility guides:

- I have a 1st mortgage with Citi and want to stay in my home.
📄 1st Mortgage Modification Guide
- I have a 1st mortgage with Citi and want to sell my home.
📄 1st Mortgage Short Sale Guide
- I have a 2nd mortgage with Citi and my 1st mortgage has been modified.
📄 2nd Mortgage Modification Guide - when 1st mortgage is previously modified
- I have a 2nd mortgage with Citi and my 1st mortgage has **not** been modified.
📄 2nd Mortgage Modification Guide - when 1st mortgage is **not** previously modified

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Sally Homeowner

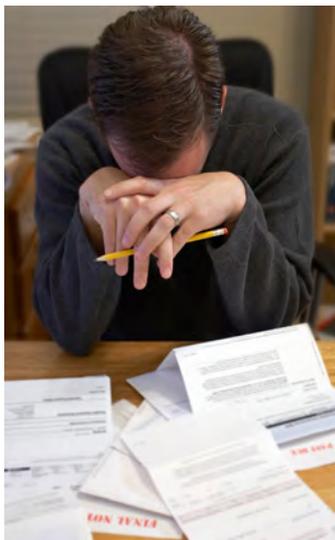


Before referring Sally to Foreclosure

- **Servicer must**
 - Notify Sally of every available workout option
 - Assign an SPOC if Sally asks for assistance
 - Evaluate Sally for a loan modification if she submits a complete application
 - Send a 14-day pre-foreclosure notice
- **Wait 120 days**

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14-Day Pre-foreclosure Notice



- **Pre-foreclosure referral notice**
 - Facts supporting servicer's right to foreclosure
 - Must state that borrower has a right to request
 - A copy of note with all endorsements
 - Payment history
 - Name of the investor that holds loan
 - Account summary
- **Sent at least 14 days before referral to attorney**

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Wells Fargo: Submitting Documents

WELLS FARGO HOME MORTGAGE Home Mortgage | Home

Request Mortgage Help Online

Keeping up with mortgage payments can be difficult, especially with circumstances like job loss, decreasing home value, or other financial challenges. When challenges first arise, you can now request help online or over the phone.

Online help request process

Step 1: Verify your account

To access the homeowner assistance website, you'll need to verify the following:

- Last four digits of your Social Security Number
- Loan number
- Property zip code

Step 2: Tell us about your financial situation

Explain the cause of your payment difficulties and provide information about your income and expenses. [Click here to provide when requesting mortgage help.](#)

Step 3: Review your options

After reviewing your information, you'll see your options and next steps.

Start your request

Clicking **Request Help Now** will take you away from the Wells Fargo website to the homeowner assistance website.

Request Help Now

Customer

WELLS FARGO

* Indicates a required field

Homeowner Assistance

If you are facing financial difficulties, this is where you can request help online, and track the status of your request.

Verify your account to continue

Last 4 digits of your Social Security Number * xxx-xx-

Loan Number * Refer to your billing statement

Property Zip Code *

Need Help?
Customer Service
FAQ

Continue

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Wells Fargo: Check Status

WELLS FARGO Back to Previous Page | Home

Check Your Loan Modification Status

If you are working with us on a loan modification, you can track your status online throughout the process.

Track your status online

Step 1: Verify your account

To access the homeowner assistance website, you'll need to verify the following:

- Last four digits of your Social Security number
- Loan number
- Property zip code

Step 2: See where you are in the process

After verifying your account, you'll be able to see where your loan is in the modification process and find out what to expect during each step.

Step 3: Contact us if you need help or have questions

If you have any questions about your loan modification, [contact a home preservation specialist](#).

Check your status

Clicking **Check Status Now** will take you away from the Wells Fargo website to the homeowner assistance website.

Check Status Now

Submit documents electronically

Now you can send required documents online through the homeowner assistance website.

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Rules for Loan Modifications

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Evaluate Borrower for a Loan Modification

- Evaluate for **every available** loan modification option
 - In-house (proprietary) modifications
 - HAMP, FHA, VA
- Make **public information** on process and eligibility standards
- Offer a loan modification if Net Present Value (NPV) positive

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HAMP Requirements

- Certain Homeowners should be given another opportunity to apply for HAMP
 - Enrolled under original HAMP guidelines
 - Made all required trial period plan payments but were denied a permanent modification
 - Re-apply for HAMP or in-house modification
- Promptly convert trial period plans to permanent modifications

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If the Loan Modification is Denied

- **Before** denying a loan modification application
 - 2nd **automatic internal review**
 - Only denial of requests to modify first-lien mortgages
- Send **denial letter/ notice**
- Allow homeowner to **appeal** the loan modification denial

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Denial Notice

- **Send letter within 10 days of decision with reasons for denial**
 - If NPV calculation causes denial, notice must include the monthly gross income and property value used in the calculation
- **Give borrowers 30 days to request an appeal of the loan modification denial**

Helpful information
for an appeal!



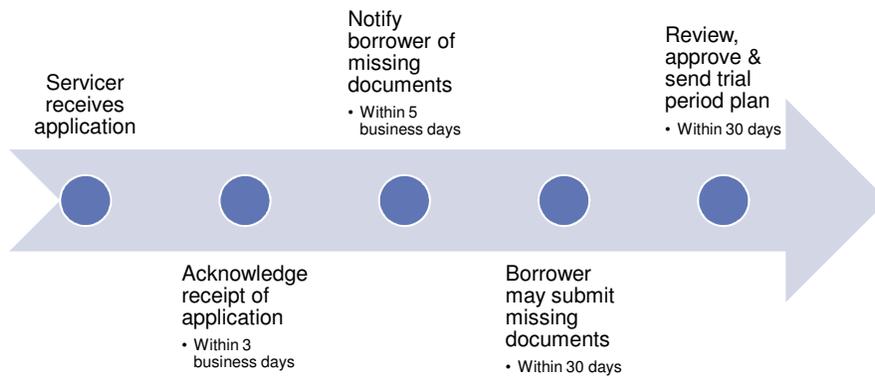
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Appeal Process

- Homeowner has 30 days to provide information or documents to servicer
- If homeowner **disagrees** with the property value used by the servicer, the homeowner can request that a full appraisal be conducted
 - At the homeowner's expense
- Servicer should make a decision within 30 days after receiving information from the homeowner
 - If appeal is denied – must send a letter

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Loan Modification Application TIMELINE

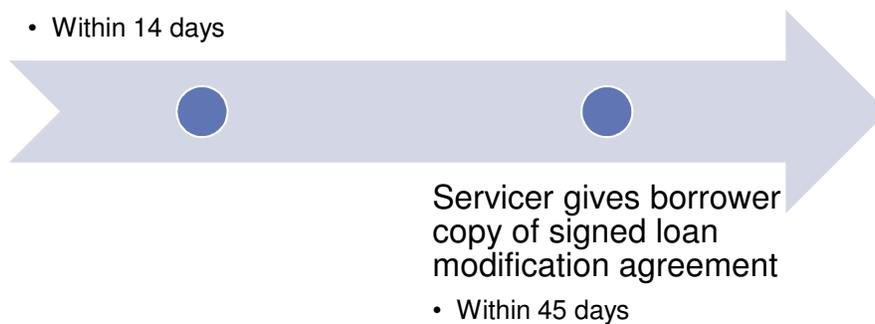


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How Long does the Borrower have to Respond to the Offer?

Borrower must sign & return modification offer

- Within 14 days

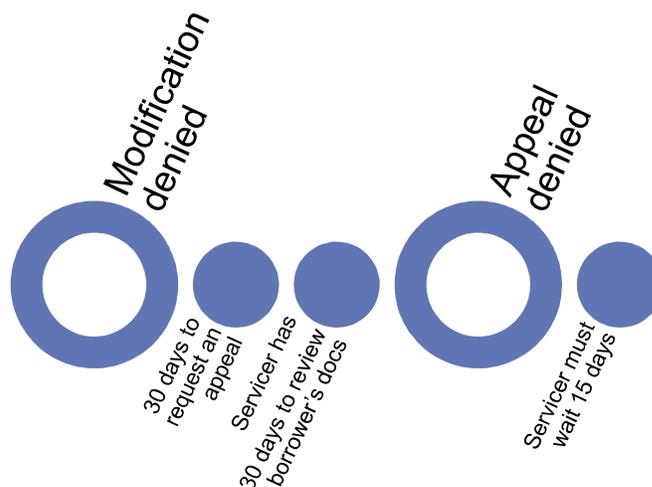


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Counselor Handbook: Loan Modification Timeline

Event	Days	What is required
Servicer receives an application for a modification of a first lien mortgage		
Written acknowledgement of receipt of loan application	Within 3 business days	Written acknowledgement should describe loan modification process and identify deadlines and expiration dates for submission of documents
Notify borrower of any missing info, documents, or other deficiency in the initial submission of info	Within 5 business days	Borrower should be given 30 days from the date of servicer's notification to submit the missing documents or info
Review the modification application, approve and send a trial period plan	Within 30 days	Within 30 days of receiving a complete loan modification application unless "compelling circumstances beyond servicers control."

TIMELINE to Appeal Denial of Loan Modification Request



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Poll Question No. 3



Under the Settlement's Servicing Standards, **how many days does a borrower have to appeal a denial of a loan modification request?**

- A. 14 days from date of denial letter
- B. 15 days from date of denial letter
- C. 30 days from date of denial letter

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Poll Question No. 3



Under the Settlement's Servicing Standards, **how many days does a borrower have to appeal a denial loan modification?**

- A. 14 days from date of denial letter
- B. 15 days from date of denial letter
- C. 30 days from date of denial letter

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Using the Checklist To Help Sally

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NMS Housing Counselor Checklist

- **Streamlined** reporting tool
- **Escalation tool** for resolving client complaints



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NMS Checklist Homepage

National Mortgage Settlement Housing Counselor Checklist

About the National Mortgage Settlement

The attorneys general of 49 states and the District of Columbia, the federal government and five banks and mortgage servicers (Bank of America, Cit, JPMorgan Chase, Wells Fargo and Ally/ GMAC) reached an agreement on February 9, 2012, to provide loan modification and other relief to eligible homeowners, funding for state and federal governments, and new guidelines for the servicing of mortgage loans. These servicing standards require:

- better communication with borrowers;
- a single point of contact;
- adequate staffing levels and training; and
- appropriate standards for executing documents in foreclosure cases.

The standards also place restrictions on proceeding with foreclosure when a loan modification application is pending.

About this Checklist

This Checklist incorporates some of the servicing standards announced under the National Mortgage Settlement. The Checklist is designed to be used by housing counselors to document and report violations of the servicing standards to appropriate agencies.

The Office of Mortgage Settlement Oversight (OMSO) was created under the terms of the settlement to monitor compliance with the servicing standards and other terms of the settlement. **Information and data submitted through this Checklist will be aggregated and reported to OMSO.** Reporting violations of the servicing standards to OMSO, whether through this Checklist or as an individual complaint, **is essential** to provide the agency with a legal basis to challenge servicers' noncompliance with the terms of the settlement.

After you have completed and submitted this Checklist, you can then submit the information as an individual complaint to the state Attorney General, to the Consumer Financial Protection Bureau, to the Office of Mortgage Settlement Oversight, and to the U.S. Department of Housing and Urban Development.

(* = Required)

I am (check one category) *

- a housing counselor
- an attorney
- a homeowner
- other

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NMS Loan Checklist

Loan Checklist:

INSTRUCTION: Please click on one or more of the main categories below which best describes your client's problem. Note that when you click on the category the standard or requirements will be displayed in more detail.

The borrower had the following problem(s) related to the servicing of the loan:

- Poor communication with the borrower before referral to foreclosure.
- Poor communication with the borrower after referral to foreclosure attorney.
- Single Point of Contact (SPOC)
 - No SPOC provided. Servicer did not provide an easily accessible and reliable single point of contact.
 - SPOC failure. The single point of contact failed to:
 - communicate the options available or the actions the borrower must take to be considered for these options.
 - become knowledgeable about the borrower's situation and current status and convey this information to the borrower.
 - assist the borrower in pursuing alternatives to foreclosure after a loan modification denial.
- Borrower's payment to mortgage servicer not accepted.
- Lost documentation
 - Servicer lost the borrower's documents.
- Did not correct errors.
- Dual Track: foreclosure proceeded while modification under review.
- Home sold while loan modification or other workout option was pending.
- Inadequate loan modification evaluation.
- No Modification Offer.
- HAMP Permanent Modification
- Loan Modification Timeline
- Appeal of Loan Modification Denial
- Short Sales
- Credit Reporting
- Military Personnel
- Issues related to fees and charges
- Other

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Escalation Tool

Thank you for completing the National Mortgage Settlement Housing Counselor Checklist

Do NOT close this page if you wish to submit an individual complaint to the state and federal agencies listed below. Once you leave this page, you cannot return. However, you may visit each agency's web site at any time to obtain information and assistance.

Thank you! A copy of the completed Checklist that you submitted will be sent to the email address that you provided. If you do not receive the completed Checklist, please check your spam or junk folder.

The information you provided as part of this Checklist will be combined with that provided by other counselors and advocates and sent to the Office of Mortgage Settlement Oversight (OMSO). The OMSO will not intervene and mediate individual complaints regarding services but the information will be used to enforce the terms of the Settlement. The OMSO website is <https://www.mortgageoversight.com>.

Filing Complaints

Would you also like to submit this Checklist as an individual complaint to your state Attorney General, the Consumer Financial Protection Bureau, the OMSO, and the U.S. Department of Housing and Urban Development (HUD)? See below for links to complaint forms. To save time, some of the information you submitted on this Checklist will be pre-filled for the agencies which have online complaint forms.

Attorney General

[File a Complaint](#)

Agency:
Address: Hoover State Office Building
Secondary address 1305 E. Walnut
City: Des Moines
State: Iowa
Zip: 50319
Phone: 562-777-4590
Website: <http://www.iowaattorneygeneral.gov/>

Consumer Financial Protection Bureau

[File a Complaint](#)

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Checklist E-mail Receipt

National Consumer Law Center and the National Housing Resource Center

1 message

NCLC <nclc.org.com>
To: jvw@nclc.org

Tue, May 7, 2013 at 12:59 PM

Thank you for completing the Checklist. Here is the information that you submitted.

Counselor Information:

OCCUPATION: housing_counselor
NAME: Jane Smith
PHONE: 5162815497
EMAIL: jvw@nclc.org
TITLE:
ORGANIZATION:

Borrower Information:

NAME OF BORROWER: John Doe
ADDRESS OF PROPERTY SUBJECT TO FORECLOSURE: 1234 Main St.
STREET: Anytown
CITY: IA
ZIP CODE: 50319
RACE/ETHNICITY OF BORROWER: Hispanic
MALE/FEMALE: M
AGE: 44
HAS THE BORROWER FILED FOR BANKRUPTCY? no
IS THE BORROWER A SERVICE MEMBER ON ACTIVE DUTY? no
LOAN NUMBER: 4598712256
CURRENT SERVICER: Bank of America
IS THIS A FANNIE MAE OR FREDDIE MAC LOAN? yes

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Poll Question 4: CASE STUDY



Sally Homeowner submitted a complete loan modification application to the postal address given by the servicer. Sally never received confirmation of receipt, but has since received three more of the same application packages to complete.

Sally tried calling the representative with no success; when she did get a call from the representative she was told no documents had been received.

Which of the following NMS servicing standards were not met?

- A. Single Point of Contact (SPOC)
- B. Lost documentation
- C. Loan modification timeline

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Poll Question 4: CASE STUDY



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4. Borrower's payment to mortgage servicer not accepted.
5. Lost documentation
 - Servicer lost the borrower's documents.
6. Did not correct errors.
7. Dual Track: foreclosure proceeded while modification under review.
8. Home sold while loan modification or other workout option was pending.
9. Inadequate loan modification evaluation.
10. No Modification Offer.
11. HAMP Permanent Modification
12. Loan Modification Timeline
13. Appeal of Loan Modification Denial
14. Short Sales
15. Credit Reporting
16. Military Personnel
17. Issues related to fees and charges
18. Other

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Integrating the Checklist in your Workflow

- Consult the checklist throughout the counseling process:
 - During the initial appointment
 - After submission of an application
 - Upon referral to foreclosure
 - After approval of a loan modification
 - After denial of a loan modification

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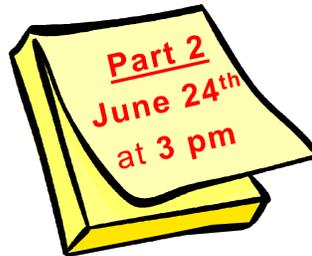
QUESTIONS



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Thank You For Joining Us

Save the date



Please participate in the evaluation survey

Brought to you by



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