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**NCLC ADVOCATES APPLAUD CFPB'S NEW MORTGAGE RULES;
URGE FURTHER REFORM**

(WASHINGTON, D.C.) “We applaud the Consumer Financial Protection Bureau’s new mortgage rules, which go into effect tomorrow and will move the market toward safer loans and better loan servicing,” said Alys Cohen, staff attorney at the National Consumer Law Center. “The CFPB has made clear that the rules will continue to evolve as implementation progresses and we urge it to eliminate gaps that could provide space for some predatory conduct,” said Cohen. “The foreclosure crisis is still with us. It is essential that we prevent the next one from happening.”

The CFPB has issued three major rules affecting homeowners:

- 1) Lenders will now be required to evaluate homeowners’ ability to repay mortgages before making them.
- 2) Incentive payments to brokers and loan officers for putting homeowners into more expensive loans, a major cause of the crisis, are restricted.
- 3) Mortgage servicers will be required to use procedures that enhance communications with borrowers and improve homeowner access to loan modifications.

“The financial crisis reversed decades of economic progress in communities of color and the CFPB’s rules are a necessary step toward restoring opportunity and fairness,” noted Cohen. The rules re-establish sensible principles that were abandoned during the housing bubble and prevent lenders from again ignoring basic underwriting principles in a frenzy of abusive lending.

“As the CFPB continues to monitor implementation of the rules and to consider if changes are needed, further revisions to address gaps will help restore the promise of equal access to fair credit while giving the market substantial flexibility to innovate,” added Cohen.

The CFPB’s mortgage rules should be revisited in the coming year to close loopholes and remove potential incentives for predatory behavior, including:

- Lenders who make predictably unaffordable loans should be accountable, even if the loan meets the Qualified Mortgage standard and even if the loan is a prime loan.
- An “affordable” loan should leave homeowners with enough cash to pay basic living expenses.

- Mortgage brokers and loan officers should not be able to accumulate bonuses and retirement contributions for pushing homeowners into more expensive loans.
- Mortgage servicers should be required to halt foreclosures when a homeowner initially seeks assistance up to seven days prior to foreclosure. Only a halt will align servicer incentives with the needs of homeowners, communities, and investors.
- Homeowners should be able to avail themselves of the new servicing protections each time they face a hardship, not only the first time. Homeowners in bankruptcy should be covered by all of the servicing protections.
- Servicers should be required to provide affordable loan modifications to qualified homeowners facing hardship, such as divorce or the death of a spouse. The federal Home Affordable Modification Program (HAMP) is scheduled to sunset at the end of 2015. With no loan modification mandate in place, many homeowners face and will continue to face foreclosure even when they can afford to make modified mortgage payments.

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