SUMMARY OF PROPOSED MORTGAGE SERVICING RULES

The Consumer Financial Protection Bureau (CFPB) invites the public to comment on two proposed rules on mortgage servicing that would give consumers certain rights and protections. You can submit your comments online at www.regulations.gov. In addition, the Cornell e-Rulemaking Initiative and the CFPB are working together to make it easier for the public to comment on the proposed rules. You can participate at www.regulationroom.org. Your comments on the site will not become formal public comments on the CFPB's docket, but the CFPB expects comments on Regulation Room will be incorporated into a formal public report which will be prepared by CeRI and submitted as a comment.

Background

When you take out a mortgage loan, the creditor often hires a second company called a mortgage servicer to collect and credit payments, administer your escrow account, follow up on late payments, and (if necessary) handle foreclosures. You can't choose your mortgage servicer, and Federal law historically provided only limited protections against costly surprises and runarounds.

Wrong and sometimes illegal servicing practices have hurt borrowers trying to save their homes after falling behind in their payments. For instance, there have been widespread complaints about "robo-signing" of foreclosure filings, and servicers losing materials submitted by borrowers requesting loan modifications.

Summary

The Bureau wants to put the service back into mortgage servicing. The proposed rules would provide consumers with the following benefits:

- **Mortgage Statements:** Servicers generally would have to provide regular billing statements that give consumers better information about the next payment due, how past payments have been applied, and other important loan information.
- **Interest Rate Change Notice:** Notices about upcoming rate and payment changes for adjustable-rate mortgages would give borrowers earlier warnings about possible payment increases and better information about what to do if the new payments won't be affordable.
- **Correct Errors and Get Information:** The proposed rules would make it easier for consumers to assert errors and request information about their accounts. Consumers would be able to assert errors or request information by telephone and would receive faster responses from servicers.
- **Paying off a Mortgage:** Servicers would have to respond quickly to borrowers' written requests for the amount needed to pay off their mortgage loans.
- **Payments Applied Promptly:** Servicers would have to credit a full payment promptly when it's received. Servicers also would have to give better information to borrowers about how partial payments (for amounts less than the required monthly payment) are handled. If the servicer holds partial payments in a separate "suspense" account, they would have to follow consistent practices about when to credit the money against the borrower's outstanding balance.
- **Force-placed Insurance:** Consumers would have protections against unnecessarily paying for costly force-placed insurance. For instance, before charging for this type of hazard insurance, servicers would have to have a reason to believe borrowers let their own policies lapse. Servicers would also have to send two notices to borrowers. If borrowers had their

own hazard insurance in place, premiums for force-placed insurance would have to be refunded.

- **Early Contact with Delinquent Consumers:** Servicers would be required to contact borrowers who are at least 30 days late on their payments by telephone, and to follow up in writing with information about options for avoiding foreclosure.
- **Contact with Servicer Personnel:** Servicers would be required to provide easy access to staff that could help borrowers who are late on their payments find options to avoid foreclosure.
- **Reasonable information policies and procedures:** Servicers would have to set up reasonable policies and procedures to manage files and computer systems to prevent documents from being lost or misplaced so consumers do not get the runaround because servicer personnel cannot access the consumer's information.
- **Evaluation for options to avoid foreclosure:** Servicers that offer loan modifications or other options to avoid foreclosure as a normal part of their business would be required to follow rules about how they evaluate borrowers' applications. If borrowers apply by a servicer's deadline, the servicer would be required to review the applications quickly and notify the consumers about their options. Consumers would be able to appeal denials for loan modifications. Foreclosure sales would have to be delayed if a borrower's timely and complete application or appeal is pending or if a borrower is meeting the requirements of a loan modification or other agreement concerning an alternative to foreclosure.