

Introduction to the National Mortgage Servicing Settlement

August 7, 2012



Five Largest Servicers

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- Ally Financial
- Bank of America (BoA)
- Citibank
- J.P. Morgan-Chase
- Wells Fargo

Releasing Parties

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- 49 State Attorneys General and State Banking Regulators
- U.S. Department of Justice
- U.S. Department of Housing and Urban Development
- U.S. Department of Treasury
- Consumer Financial Protection Bureau
- Federal Trade Commission

What is not included?

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- No Release of Criminal Liability
- No Release of Fair Housing/ Fair Lending Claims
- No Release of Securitization Claims

What is Included?

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- Robust New National Servicing Standards
 - 300 specific standards aimed at protecting borrowers, including:
 - Single point of contact
 - Adequate staffing levels and competency
 - Improved communication with borrower
 - Appropriate standards for executing foreclosure and bankruptcy documents
 - Ending many dual-track foreclosures

Consumer Relief Activities

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- \$10 Billion in First and Second Lien principal reduction for distressed homeowners
- \$3 Billion in refinancing for underwater homeowners
- \$7 Billion in other consumer relief, such as:
 - Enhanced borrower transition funds paid by servicer for short-sales/deed-in-lieu transactions (> \$1500)
 - Servicer payments to unrelated Second lien holders for release of lien

Other Consumer Relief, cont'd

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- Extended forbearance for unemployed borrowers
- Deficiency Waivers
- Anti- Blight Activities
 - NOTE 1: Credit for all forms of consumer relief are usually less than \$1 for \$1.
 - NOTE 2: 25% bonus for relief provided by March 1, 2013, 125% cash penalty for relief that is not completed by April 5, 2014 and 140% if not completed by April 5, 2015.

The Settlement also Provides \$5 Billion in Direct Cash Payments

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- \$1 Billion for the Federal Government:
 - HUD
 - Agriculture
 - Veterans Affairs
 - Justice
- \$1.5 Billion for Borrower Payments for homeowners foreclosed upon between 2008 and 2011
- \$2.5 Billion in Direct Payments to the States

\$2.5 Billion in State Cash Payments

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“To the extent practicable, such funds shall be used for purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud, or unfair or deceptive acts or practices and to compensate the States for costs resulting from the alleged unlawful conduct of the Defendants...”

\$2.5 Billion in State Cash Payments, Cont'd

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- permissible purposes include, but are not limited to, supplementing the amounts paid to state homeowners under the Borrower Payment Fund, funding for housing counselors, state and local foreclosure assistance hotlines, state and local foreclosure mediation programs, legal assistance, housing remediation and anti-blight projects, funding for training and staffing of financial fraud or consumer protection enforcement efforts and civil penalties.” Exhibit B, ¶1.b.i.

\$2.5 Billion in State Cash Payments, Cont'd

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- 23 states, thus far, have committed settlement funds to housing counseling, including AR, CA, CO, CT, DE, DC, IL, KY, ME, MD, MI, MT, NH, NC, NY, NV, OR, RI, TN, VA, VT, WA and WY.

Consumer Relief for Servicemembers

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- Servicers must conduct reviews, overseen by the Department of Justice's Civil Rights Division, to determine whether any servicemembers have been foreclosed upon either judicially or non-judicially in violation of the Servicemembers Civil Relief Act (SCRA) since 2006
 - Includes reviews of those servicemembers who have been unlawfully charged interest in excess of six percent on their mortgages since 2008
- Foreclosure victims identified through these reviews will be compensated a minimum of \$116,785 each plus any lost equity with interest
 - Victims of violations of the SCRA's six percent interest rate cap identified through these reviews will be compensated by the amount wrongfully charged in excess of six percent, plus triple the amount refunded, or \$500, whichever is larger

Consumer Relief for Servicemembers, Cont'd

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- In addition, the Servicing Standards require SCRA training for employees and agents and development of new SCRA compliant policies and procedures
- Finally, Servicers must repair any negative credit report entries related to the allegedly wrongful foreclosures and will not pursue any deficiency amounts owed under the mortgages where a violation is found

Role for Counseling Agencies

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- Scam and Fraud prevention
- Gateway for consumers to settlement benefits
- Gateway to other benefits
- Publicizing benefits without raising expectations
- Referral to legal services
- Monitor servicer compliance by lenders
- Help vulnerable owners with transitional services and a soft landing.

Who Monitors the Settlement Process

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- Independent Monitor at Office of Mortgage Settlement Oversight (OMSO)
 - Joe Smith: Former President of the Conference of State Banking Supervisors and former North Carolina Banking Commissioner
 - Funds for staff and consultants provided by servicers over and above consumer relief/cash payment obligations
 - *BDO Consulting*, a division of *BDO USA, LLP*, serves as Primary Professional Firm to review compliance
 - Five Secondary firms will assist as well

What is Reported and Measured?

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- Receives/reviews quarterly reports from Servicers
- 29 existing performance measures, with authority to add more as needed
- Monitor reviews submissions of Consumer Relief Credit Certification Requests
- Provides bi-annual report to Monitoring Committee
- Consults with Monitoring Committee on \$1M-\$5M in non-compliance penalties

To Whom Does the Monitor Report?

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- Monitoring Committee
 - HUD
 - Justice
 - 15 State AG/Banking Representatives

Additional Information

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■ Upcoming Timeline

- Late Summer/Early Fall 2012 – Announcement of Administrator for Borrower Payment Fund; Possible Voluntary Interim Reporting by Servicers and Monitor
- October 5th – Implementation of all Servicing Standards by Servicers
- November 14th – First Official Quarterly and State Reports due from Servicers
- February 14, 2013 – Second Official Quarterly and State Reports due from Servicers
- May 15, 2013 – Monitor’s Public 2012 Q2-Q4 Report Due

■ Resources

- HUD Website - <http://portal.hud.gov/hudportal/HUD?src=/homeownerhelp>
- State AG’s Website - nationalmortgagesettlement.com (State AG’s Website)
- OMSO Website - mortgageoversight.com*

Questions?

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