

Mortgage Servicing: Making Sure Your Payments Count



When you get a mortgage, you may think that the lender will hold and service your loan until you pay it off or sell your home. That's often not the case. In today's market, loans and the rights to service them often are bought and sold. In many cases, the company that you send your payment to is not the company that owns your loan.

A home is one of the most expensive purchases you'll make, so it's important to know who is handling your payments and that your mortgage account is properly managed. The Federal Trade Commission (FTC), the nation's consumer protection agency, wants you to know what a mortgage servicer does and what your rights are.

Mortgage Servicers: Their Responsibilities; Your Rights

A mortgage servicer is responsible for the day-to-day management of your mortgage loan account, including collecting and crediting your monthly loan payments, and handling your escrow account, if you have one. The servicer is who you contact if you have questions about your mortgage loan account.

Escrow Accounts

An escrow account is a fund held by your servicer that you pay into for property taxes and homeowners insurance. Your escrow payment typically is part of your monthly mortgage payment. The servicer then uses your escrow account to pay your taxes and insurance as they become due during the year. If you do not have an escrow account, you must make those payments on your own.

If your mortgage servicer administers an escrow account for you, federal law requires the servicer to make escrow payments for taxes, insurance and any other escrowed items on time. Within 45 days of establishing the account, the servicer must give you a statement that clearly itemizes the estimated taxes, insurance premiums and other anticipated amounts to be paid over the next 12 months, and the expected dates and totals of those payments.

The mortgage servicer also is required to give you a free annual statement that details the activity of your escrow account, showing, for example your account balance and reflecting payments for your property taxes, homeowners insurance and other escrowed items.

Transfer of Servicing

If your loan is transferred to a new servicer, you generally get two notices: one from your current mortgage servicer; the other from the new servicer. In most cases, your current servicer must notify you at least 15 days before the effective date of the transfer, unless you received a written transfer notice at settlement. The effective date is when the first mortgage payment is due at the new servicer's address. The new servicer must notify you within 15 days after the effective date of the transfer.

Both notices must include:

- the name and address of the new servicer
- the date the current servicer will stop accepting your mortgage payments
- the date the new servicer will begin accepting your mortgage payments
- telephone numbers (either toll-free or collect), for the current and new mortgage servicer, for information about the transfer
- whether you can continue any optional insurance, such as credit life or disability insurance; what action you must take to maintain coverage; and whether the insurance terms will change
- a statement that the transfer will not affect any terms or conditions of your mortgage, except those directly related to the servicing of the loan. For example, if your contract says you were allowed to pay property taxes and insurance premiums on your own, the new servicer cannot demand that you establish an escrow account.
- a statement explaining your rights and what to do if you have a question or complaint about the servicing of your loan.

There is a 60-day grace period after the transfer: during this time you cannot be charged a late fee if you mistakenly send your mortgage payment to the old servicer.



Transfer of Loan Ownership

The ownership and servicing rights of your loan may be handled by one company or two. If ownership of your loan is transferred, the new owner must give you a notice that includes:

- the name, address and telephone number of the new owner of the loan
- the date the new owner takes possession of the loan
- the person who is authorized to receive legal notices and can resolve issues about loan payments
- where the transfer of ownership is recorded.

The new owner must give you this notice within 30 days of taking possession of the loan. It is in addition to any notices you may get about the transfer of the servicing rights for your loan.

Posting Payments

The servicer must credit a payment to your loan account as of the day it is received. Some consumers have complained that they've been charged late fees, even when they know they made their payments on time. To help protect yourself, keep detailed records of what you've paid, including billing statements, canceled checks or bank account statements. You also may be able to check your account history online. If you have a dispute, continue to make your mortgage payments, but notify the servicer in writing (see Sample Complaint Letter) and keep a copy of your letter and any enclosures for your records. Send your correspondence by certified mail to the address specified by the servicer, and request a return receipt. You also may wish to fax or email your letter and any enclosures. Be sure to follow any instructions the servicer has provided and confirm the fax number or email address before

sending your letter. Keep a copy of transmittal confirmations, receipt acknowledgments and email replies.

Force Placed Insurance

It's important to maintain the required property insurance on your home. If you don't, your servicer can buy insurance on your behalf. This type of policy is known as force placed insurance. It usually costs more than typical insurance even though it provides less coverage. The primary purpose of a force placed policy is to protect the mortgage owner.

Read all correspondence from your mortgage servicer. Your mortgage servicer may ask that you provide a copy of your property insurance policy. Respond promptly to requests about property insurance, and keep copies of every document you send to your mortgage servicer.

If you believe there's a paperwork error and that your coverage is adequate, provide a copy of your insurance policy to your servicer. Once the servicer corrects the error, removes the force placed coverage and refunds the cost of the force placed policy, make sure they remove any late fees or interest you were charged as a result of the coverage.

Fees

Read your billing statements carefully to make sure that any fees the servicer charges are legitimate, including fees that may have been authorized by you or the mortgage contract to pay for a service. If you don't understand what any fees are for, send a written inquiry asking for an itemization and explanation. Also, if you call your mortgage servicer to ask for a service, like faxing copies of loan documents, make sure you ask whether there is a fee for the service and how much it is.

Special Considerations for Loans In Default

If you fail to make one or more payments on your mortgage loan, your loan is in default. The servicer may then order “default-related services” to protect the value of the property. These services may include property inspections to make sure you are still living in the home and maintaining the property. If the property is not being properly maintained, the servicer may order “property preservation services,” like lawn mowing, landscaping and repairing or boarding up broken windows and doors. The costs for these services, which can add up to hundreds or thousands of dollars, are charged to your loan account. If the servicer starts to foreclose on your property, additional costs like attorneys fees, property title search fees, and other charges for mailing and posting foreclosure notices will be charged to your loan account. That can add hundreds or thousands of dollars more to your loan, and make it even more difficult for you to bring the loan current and avoid foreclosure.

If you find yourself in this situation, stay in touch with your servicer. Servicers have different policies about when they will order default-related services. Some may not order property inspections or property preservation work if you let them know each month that you are still living in the home, keeping it well maintained, and are working with them to resolve the default on your account. Even so, it’s important to review your billing statements carefully and question added fees. If fees appear on your statement under general headings like “other fees” or “corporate advances,” contact your servicer – in writing – as soon as possible to get an explanation of those fees and a reason they’ve been charged to your account.

Struggling to Make Your Mortgage Payments?

If you are struggling to make your mortgage payments – or you’ve missed payments – contact your servicer. It’s critical to keep the lines of communication open when you’re trying to resolve issues with your account. If you have difficulty reaching or working with your servicer, call 1-888-995-HOPE for free personalized advice from housing counseling agencies certified by the U.S. Department of Housing and Urban Development (HUD). This national hotline – open 24/7 – is operated by the Homeownership Preservation Foundation, a nonprofit member of the HOPE NOW Alliance of mortgage industry members and HUD-certified counseling agencies. For free guidance online, visit www.hopenow.com.

Payoff Statements

A payoff statement is a document that specifies the amount needed to pay a loan in full. Generally, servicers must give you this statement if you ask for it and follow the instructions. Your servicer must provide the statement within a reasonable time – generally 5 business days – after receiving your request.

Inquiries and Disputes

Under federal law, your mortgage servicer must respond promptly to written inquiries, known as “qualified written requests” (see Sample Complaint Letter). If you believe you’ve been charged a penalty, late fee or some other fee by

mistake, or if you have other problems with the servicing of your loan, write to your servicer. Include your account number and explain why you believe your account is incorrect. Send your correspondence to the address the servicer specifies for qualified written requests.

The servicer must send you a written acknowledgment within 20 business days of receiving your inquiry. Then, within 60 business days, the servicer must correct your account or determine that it is accurate. The servicer must send you a written notice of the action it took and

why, as well as the name and phone number of someone to contact.

Do not subtract any disputed amount from your mortgage payment. Your servicer might consider this a partial payment and refuse to accept it. Your payment might be returned to you or put in a “suspense” or “hold” account until you provide the rest of the payment. Either way, your servicer may charge you a late fee or claim that your mortgage is in default and start foreclosure proceedings.

Sample Complaint Letter

Here is a sample qualified written request. Use this format to address complaints under the Real Estate Settlement Procedures Act (RESPA).

Date

Your Name

Your Address

Your City, State, Zip Code

Subject: Your loan number

Attention: Customer Service

Name of Loan Servicer

Address

City, State, Zip Code

This is a “qualified written request” under Section 6 of the Real Estate Settlement Procedures Act (RESPA).

I am writing to:

Describe the issue or the question you have and/or what action you believe should be taken.

Attach copies of any related written materials.

Describe any conversations with customer service about the issue and to whom you spoke.

Describe any previous steps you have taken or attempts to resolve the issue.

List a phone number in case a customer service representative wants to call you.

I understand that under Section 6 of RESPA you are required to acknowledge my request within 20 business days and must try to resolve the issue within 60 business days.

Sincerely,

Your name

Fair Debt Collection

By law, a debt collector is a person who regularly collects debts owed to others. Your mortgage servicer is considered a debt collector only if your loan was in default when the servicer acquired it. If that’s the case, you have additional rights. Read about them in Debt Collection FAQs: A Guide for Consumers at ftc.gov/debtcollection.

To learn more about mortgages and what to do if you’re having difficulty making payments, visit ftc.gov/YourHome.

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. Watch a new video, *How to File a Complaint*, at ftc.gov/video to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.



FEDERAL TRADE COMMISSION	ftc.gov
1-877-FTC-HELP	FOR THE CONSUMER

Federal Trade Commission
 Bureau of Consumer Protection
 Division of Consumer and Business Education