

**Office of the Comptroller of the Currency
Board of Governors of the Federal Reserve System**

JUNE 21, 2012

**FINANCIAL REMEDIATION FRAMEWORK
FOR USE IN THE INDEPENDENT FORECLOSURE REVIEW**

In April 2011, federal banking regulators issued enforcement orders against 14 large mortgage servicers for deficient mortgage servicing and foreclosure practices. The orders required those servicers to retain independent consultants to conduct a comprehensive review of foreclosures that were in process or completed in 2009 or 2010 (the Independent Foreclosure Review) to identify financial injury to borrowers that resulted from errors, misrepresentations, and other deficiencies in the foreclosure process. The Independent Foreclosure Review also requires those servicers to provide compensation or other remediation for identified financial injury.

The OCC and FRB have developed a financial remediation framework (the Framework) that provides examples of situations where compensation or other remediation is required for financial injury due to servicer errors, misrepresentations, or other deficiencies. The independent consultants will use the Framework to recommend remediation for financial injury identified during the Independent Foreclosure Review. The servicers will prepare remediation plans based on the independent consultants' recommendations. The federal banking regulators must approve each servicer's remediation plan.

The categories included in the Framework are not intended to be exhaustive or to cover all possible situations or remediation options for borrowers who may require compensation or other remediation for financial injury. It is important to read the Frequently Asked Questions (FAQs) that accompany the Framework to understand how remediation will work.

OCC FRB Financial Remediation Framework
Independent Foreclosure Review

No.	CATEGORY	ERROR	DESCRIPTION	FORECLOSURE IN PROCESS (AT TIME OF REMEDIATION)		FORECLOSURE COMPLETE (AT TIME OF REMEDIATION)	
				Remedy	Dollar Payment	Remedy	Dollar Payment
1	Servicemembers Civil Relief Act (SCRA)	SCRA violation	Servicer foreclosed on a borrower in violation of the SCRA.	Suspend foreclosure.	N/A	Rescind foreclosure when possible; pay \$15,000, correct servicer record for any improper amounts, and correct credit reports.	\$15,000
						If rescission of foreclosure is not possible; pay \$125,000 plus equity, remedy deficiency, and correct credit reports.	\$125,000 plus equity
2	Borrower Not in Default	Borrower not in default when foreclosure occurred or in default as direct result of servicer error	Servicer initiated foreclosure or foreclosed on borrower who was not in default on mortgage or in default only directly due to servicer error.	Cancel foreclosure; pay \$5,000, correct servicer record for late fees, foreclosure fees, and/or any other improper amounts, and correct credit reports.	\$5,000	Rescind foreclosure when possible; pay \$15,000, correct servicer record for any improper amounts, and correct credit reports.	\$15,000
						If rescission of foreclosure is not possible; pay \$125,000 plus equity, remedy deficiency, and correct credit reports.	\$125,000 plus equity
3a	Error after Trial Loan Modification Completed	Failure to convert written trial-period plan to permanent modification	Servicer failed to convert borrower to permanent modification after successful completion of written trial-period plan.	Suspend foreclosure as required by program; pay \$5,000, provide permanent loan modification, correct servicer record for any improper amounts, and correct credit reports.	\$5,000	Rescind foreclosure when possible and provide permanent loan modification; pay \$15,000, correct servicer record for any improper amounts, and correct credit reports.	\$15,000
				If servicer cannot provide permanent loan modification; pay \$35,000, correct servicer record for any improper amounts, and correct credit reports.	\$35,000	If rescission of foreclosure is not possible; pay \$125,000 plus equity, remedy deficiency for any improper amounts, and correct credit reports. Servicer may offset missed and unpaid principal & interest payments and property taxes paid on behalf of the borrower, subject to certain limitations.	\$125,000 plus equity, less offset

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				Remedy	Dollar Payment	Remedy	Dollar Payment
3b	Error after Trial Loan Modification Approved	Foreclosure completed during written trial-period plan for a permanent modification	Servicer foreclosed on borrower prior to expiration of written trial-period plan while borrower was performing all requirements of the written trial-period plan.	N/A	N/A	Rescind foreclosure when possible and provide trial-period plan; pay \$15,000, correct servicer record for any improper amounts, and correct credit reports.	\$15,000
						If rescission of foreclosure is not possible; pay \$125,000 plus equity, remedy deficiency for any improper amounts, and correct credit reports. Servicer may offset missed and unpaid principal & interest payments and property taxes paid on behalf of the borrower, subject to certain limitations.	\$125,000 plus equity, less offset
4	Forbearance Plan	Foreclosure completed when borrower performing under documented forbearance plan	Servicer completed foreclosure on borrower before documented forbearance period expired while borrower was meeting all requirements of documented forbearance plan.	N/A	N/A	Rescind foreclosure when possible; pay \$15,000, correct servicer record for any improper amounts, and correct credit reports.	\$15,000
						If rescission of foreclosure is not possible; pay \$60,000 plus equity, remedy deficiency for any improper amounts, and correct credit reports. Servicer may offset missed and unpaid principal & interest payments and property taxes paid on behalf of the borrower, subject to certain limitations.	\$60,000 plus equity, less offset

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				Remedy	Dollar Payment	Remedy	Dollar Payment
5	Loan Modification Application	Loan modification application denied in error, or complete loan modification application where borrower would have qualified was never decided	Servicer denied borrower application for loan modification that should have been approved, or servicer failed to decision complete loan modification application for which borrower would have qualified.	Suspend foreclosure as required by program and where loan modification permitted based on past documentation; pay \$2,500, provide loan modification for which borrower should have been approved, correct servicer record for excess interest, late fees, foreclosure fees, and/or any other improper amounts, and correct credit reports.	\$2,500	Rescind foreclosure and provide loan modification for which borrower should have been approved based on past documentation when possible; pay \$5,000, correct servicer record for excess interest, late fees, foreclosure fees, and/or any other improper amounts, and correct credit reports.	\$5,000
				Suspend foreclosure as required by program and where loan modification not permitted based on past documentation; pay \$10,000, offer existing loan modification or other loss mitigation programs, correct servicer record for excess interest, late fees, foreclosure fees, and/or any other improper amounts, and correct credit reports.	\$10,000	If either rescission of foreclosure is not possible or where loan modification not permitted based on past documentation; pay \$15,000 plus equity, remedy deficiency for excess interest, late fees, foreclosure fees, and/or any other improper amounts, and correct credit reports.	\$15,000 plus equity
6	Loan Modification Application	No follow up on loan modification application	Servicer never followed up to obtain complete loan modification documents as required under HAMP or other program designated by regulator.	Pay \$2,000 and offer existing loan modification or other loss mitigation programs.	\$2,000	Pay \$2,000.	\$2,000
7	Loan Modification Application	Never solicited loan modification	Servicer never solicited borrower loan modification option as required under HAMP or other program designated by regulator.	Pay \$1,000 and offer existing loan modification or other loss mitigation programs.	\$1,000	Pay \$1,000.	\$1,000
8	Loan Modification Application	Failed to approve modification in prescribed timeframe	Servicer approved borrower for loan modification under HAMP or other program designated by regulator, but did not make decision within required timeframe.	Correct servicer record for excess interest accrued by borrower.	N/A	Remedy deficiency for excess interest.	N/A

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				Remedy	Dollar Payment	Remedy	Dollar Payment
9	Loan Modification	Used wrong interest rate in an approved modification	Servicer error resulted in loan modification with higher interest rate than borrower should have been charged under HAMP or other loan modification program designated by regulator.	Correct servicer record for excess interest accrued by borrower.	N/A	Remedy deficiency for excess interest.	N/A
10	Bankruptcy	Bankruptcy	Servicer initiated foreclosure or foreclosed on borrower who was protected by federal bankruptcy law.	Remediation determined on a case-by-case basis as bankruptcy law dictates.			
11	No Standing	Servicer did not have standing to foreclose	Servicer initiated foreclosure or foreclosed on borrower, but lacked standing to foreclose.	Remediation determined on a case-by-case basis as state law dictates.			
12	Notice	Servicer failed to provide legally sufficient notice	Servicer initiated foreclosure or foreclosed on borrower and either failed to provide any notice or legally sufficient notice as required under state law.	Remediation determined on a case-by-case basis as state law dictates.			
13	General	Error caused financial injury	Servicer error occurred that did not directly cause foreclosure, but did directly result in financial injury to borrower.	Suspend foreclosure where appropriate, correct servicer record for amounts in error and/or reimburse borrower for amounts paid in error, plus interest; and where required, correct credit reports and pay \$500 for credit reporting error.	Case-by-case basis	Remedy deficiency for amounts in error and/or reimburse borrower for amounts paid in error, plus interest; and where required, correct credit reports and pay \$500 for credit reporting error.	Case-by-case basis