

Are You Ready for the New Mortgage Landscape?

Session Two: Mortgage Servicing

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Outline

- Regulatory History
- Nine “Issues”
- “Small” Servicer Exemption



Regulatory History

- Mortgage Servicing Proposal
 - The CFPB issued two separate companion proposals, one amending Regulation Z (TILA) and one, Regulation X (RESPA).
 - Implements servicing protection amendments contained in Dodd-Frank Act sections 1418, 1420, 1463 and 1464.
 - Addresses both disclosure requirements and procedures.
 - Comment period closed October 9, 2012.



Regulatory History

- Issued at Atlanta “field hearing” on January 17
- **Effective Date:** January 10, 2014
- **Available here:**
<http://www.consumerfinance.gov/regulations/2013-real-estate-settlement-procedures-act-regulation-x-and-truth-in-lending-act-regulation-z-mortgage-servicing-final-rules/>
- 78 Fed. Reg. 10,695 (Feb. 14, 2013) (Reg X)
- 78 Fed. Reg. 10,901 (Feb. 14, 2013) (Reg Z)



Issues

- **Periodic Billing Statements**
- **Interest Rate Adjustment Notices for ARMs**
- **Prompt Crediting and Payoff Statements**
- **Force-Placed Insurance**
- **Error Resolution and Information Requests**
- **General Servicing Policies, Procedures and Requirements**
- **Early Intervention with Delinquent Borrowers**
- **Continuity of Contact with Delinquent Borrowers**
- **Loss Mitigation Procedures**



Small Servicers

- A servicer is a small servicer if it either:
 - Services 5,000 or fewer mortgage loans, for all of which the servicer (or affiliate) is the creditor or assignee; or
 - Is a Housing Finance Agency.
- Evaluation of number of loans serviced based on number of loans serviced by the servicer and any affiliates as of January 1. Servicer has until the later of the next January 1 or six months to comply.



Periodic Billing Statements

- Section 1026.41 of Regulation Z
- Implements the Dodd-Frank Act mandate that servicers of closed-end residential mortgage loans send a periodic statement for each billing cycle.
- Applies to servicers (which may include creditors or assignees that own servicing rights).
- Applies to loans secured by a dwelling (mortgage loan).



Periodic Billing Statements

- Exemptions:
 - Reverse mortgage loans
 - Timeshare loans
 - Coupon book exception
 - Contains certain information specified in the rule and certain other information is made available to the consumer
 - Small servicers exception
- Sample forms provided
 - H-30(A)
 - H-30(B) – With delinquency box
 - H-30(C) – Payment option

Periodic Billing Statements

- Timing:
 - Deliver or place in the mail within a reasonably prompt time after the payment due date or the end of any courtesy period provided for the previous billing cycle.
- Form:
 - Clear and conspicuous, in a form the consumer may keep.
 - Electronic is permitted.



Periodic Billing Statements

- Content:
 - Amount Due
 - Payment due date
 - Amount and date of any late payment
 - Amount due (more prominent)
 - Explanation of Amount Due
 - Breakdown of principal and interest and escrow
 - Total sum of fees
 - Any payments past due



Periodic Billing Statements

- Content:
 - Past Payment Breakdown
 - Total of all payments received since last statement
 - Total of all payments received that year
 - Transaction Activity
 - Partial Payment Information
 - Contact information
 - 1-800 Number and email



Periodic Billing Statements

- Content:
 - Account Information
 - Outstanding principal balance
 - Current interest rate in effect
 - Date after which interest rate will change
 - Existence of any prepayment fee
 - Websites for counseling agencies



Periodic Billing Statements

- Content:
 - Delinquency Information
 - Date on which delinquent
 - Notification of possible risks
 - Account history for shorter of six months or last time current
 - Notice of loss mitigation program
 - Notice of foreclosure filing
 - Total payments needed to be current
 - Reference to homeownership counselors



H-30(B) Sample Form of Periodic Statement with Delinquency Box

Springside Mortgage

Customer Service: 1-800-555-1234
www.springsidemortgage.com

Jordan and Dana Smith
4700 Jones Drive
Memphis, TN 38109

Mortgage Statement

Statement Date: 3/20/2012

Account Number	1234567
Payment Due Date	4/1/2012
Amount Due	\$4,339.13
<i>If payment is received after 4/15/12, \$160 late fee will be charged.</i>	

Account Information	
Outstanding Principal	\$264,776.43
Interest Rate (Until October 2012)	4.75%
Prepayment Penalty	Yes

Explanation of Amount Due	
Principal	\$386.46
Interest	\$1,048.07
Escrow (Taxes and Insurance)	\$235.18
Regular Monthly Payment	\$1,669.71
Total Fees and Charges	\$410.00
Overdue Payment	\$2,259.42
Total Amount Due	\$4,339.13

Transaction Activity (2/20 to 3/19)			
Date	Description	Charges	Payments
3/13/12	Partial Payment Received*		\$1,000.00
3/16/12	Late Fee (charged because full payment not received by 3/15/2012)	\$160.00	
3/19/12	Property Inspection Fee	\$250.00	

Past Payments Breakdown		
	Paid Last Month	Paid Year to Date
Principal	\$0.00	\$383.31
Interest	\$0.00	\$1,051.22
Escrow (Taxes and Insurance)	\$0.00	\$235.18
Fees	\$0.00	\$410.00
Partial Payment (Unapplied)*	\$1,000.00	\$1,490.00
Total	\$1,000.00	\$3,569.71

Important Messages

***Partial Payments:** Any partial payments that you make are not applied to your mortgage, but instead are held in a separate suspense account. If you pay the balance of a partial payment, the funds will then be applied to your mortgage.

Delinquency Notice

You are late on your mortgage payments. Failure to bring your loan current may result in fees and foreclosure—the loss of your home. As of March 20, you are 49 days delinquent on your mortgage loan.

Recent Account History

- Payment due 12/1/11: Fully paid on time
- Payment due 1/1/12: Fully paid on 2/3/12
- Payment due 2/1/12: Unpaid balance of \$589.71
- Payment due 3/1/12: Unpaid balance of \$2,079.71
- Current payment due 4/1/12: \$1,669.71
- **Total: \$4,339.13 due. You must pay this amount to bring your loan current.**

If You Are Experiencing Financial Difficulty: See back for information about mortgage counseling or assistance.

Springside Mortgage

Springside Mortgage
P.O. Box 11111
Los Angeles, CA 90010

Amount Due	
Due By 4/1/2012:	\$4,339.13
<i>\$160 late fee will be charged after 4/15/12</i>	
Additional Principal	\$
Additional Escrow	\$
Total Amount Enclosed	\$

Make check payable to Springside Mortgage.

1234567 34571892

342359127 DN

Periodic Billing Statements

Coupon Exemption

- Periodic statement requirements do not apply to fixed rate loans if the servicer provides:
 - A coupon book containing “Amount Due” on each coupon page;
 - A coupon book containing “Account Information,” “Contact Information” and how to access information via telephone or Internet for the other periodic statement information; and
 - Delinquency Information in writing when more than 45 days delinquent

H-30(A) Sample Form of Periodic Statement

Springside Mortgage

Customer Service: 1-800-555-1234
www.springsidemortgage.com

Jordan and Dana Smith
 4700 Jones Drive
 Memphis, TN 38109

Mortgage Statement

Statement Date: 3/20/2012

Account Number	1234567
Payment Due Date	4/1/2012
Amount Due	\$2,079.71
<i>If payment is received after 4/15/12, \$160 late fee will be charged.</i>	

Account Information	
Outstanding Principal	\$264,776.43
Interest Rate (Until October 2012)	4.75%
Prepayment Penalty	Yes

Explanation of Amount Due	
Principal	\$386.46
Interest	\$1,048.07
Escrow (for Taxes and Insurance)	\$235.18
Regular Monthly Payment	\$1,669.71
Total Fees Charged	\$410.00
Total Amount Due	\$2,079.71

Transaction Activity (2/20 to 3/19)			
Date	Description	Charges	Payments
3/16/12	Late Fee (charged because full payment not received by 3/15/2012)	\$160.00	
3/17/12	Payment Received - Thank you		\$1,669.71
3/19/12	Property Inspection Fee	\$250.00	

Past Payments Breakdown		
	Paid Last Month	Paid Year to Date
Principal	\$384.93	\$1,150.25
Interest	\$1,049.60	\$3,153.34
Escrow (Taxes and Insurance)	\$235.18	\$705.54
Fees	\$0.00	\$0.00
Total	\$1,669.71	\$5,009.13

Springside Mortgage

Springside Mortgage
 P.O. Box 11111
 Memphis, TN 38101

Amount Due	
Due By 4/1/2012:	\$2,079.71
<i>\$160 late fee will be charged after 4/15/12</i>	
Additional Principal	\$ -
Additional Escrow	\$ -
Total Amount Enclosed	\$ -

Make check payable to Springside Mortgage.

1234567 34571892

342359127

H-30(C) Sample Form of Periodic Statement for a Payment-Options Loan

Springside Mortgage

Customer Service: 1-800-555-1234
www.springsidemortgage.com

Jordan and Dana Smith
4700 Jones Drive
Memphis, TN 38109

Mortgage Statement

Statement Date: 3/20/2012

Account Number	1234567
Payment Due Date	4/1/2012
Amount Due	Option 1 (Full): \$1,829.71
	Option 2 (Interest-Only): \$1,443.25
	Option 3 (Minimum): \$1,156.43
<i>If payment is received after 4/15/12, \$160 late fee will be charged.</i>	

Account Information	
Outstanding Principal	\$260,000.00
Interest Rate (Until October 2012)	4.75%
Prepayment Penalty	Yes

Explanation of Amount Due			
	Option 1 (Full)	Option 2 (Interest-Only)	Option 3 (Minimum)
Principal	\$386.46	\$0	\$0
Interest	\$1,048.07	\$1,048.07	\$761.25
Escrow (Taxes and Insurance)	\$235.18	\$235.18	\$235.18
Regular Monthly Payment	\$1,669.71	\$1,283.25	\$996.43
Total Fees and Charges	\$160.00	\$160.00	\$160.00
Total Amount Due	\$1,829.71	\$1,443.25	\$1,156.43
If you make this payment...	... your principal balance will decrease , and you will be closer to paying off your loan.	... your principal balance will stay the same , and you will not be closer to paying off your loan.	... your principal balance will increase . You will be borrowing more money and losing equity in your home.

Transaction Activity (2/20 to 3/19)			
Date	Description	Charges	Payments
3/16/12	Late Fee (charged because payment was received after 3/15/2012)	\$160.00	
3/19/12	Payment Received – Thank you		\$1,669.71

Past Payments Breakdown		
	Paid Last Month	Paid Year to Date
Principal	\$384.93	\$1,150.25
Interest	\$1,049.60	\$3,153.34
Escrow (Taxes and Insurance)	\$235.18	\$705.54
Fees	\$0.00	\$0.00
Total	\$1,669.71	\$5,009.13

Springside Mortgage

Springside Mortgage
P.O. Box 11111
Los Angeles, CA 90010

Amount Due	
<input type="checkbox"/> Option 1 (Full):	\$1,829.71
<input type="checkbox"/> Option 2 (Interest-Only):	\$1,443.25
<input type="checkbox"/> Option 3 (Minimum):	\$1,156.43
<i>\$160 late fee will be charged after 4/15/12</i>	
Additional Principal	\$ -
Additional Escrow	\$ -
Total Amount Enclosed	\$ -

Make check payable to Springside Mortgage.

1234567 34571892

342359127 P

BILLING CODE 4810-AM-C

H-30(D) Sample Clause for Homeownership Counselor Contact Information

Housing Counselor Information: If you would like counseling or assistance, you can contact the following:

- U.S. Department of Housing and Urban Development (HUD): For a list of

homeownership counselors or counseling organizations in your area, go to <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm> or call 800-569-4287.

* * * * *

■ 7. In Supplement I to Part 1026—Official Interpretations:

■ A. Under Section 1026.17—General Disclosure Requirements:

- i. Under Paragraph 17(a)(1), paragraph 2.ii is revised.
- ii. Under Paragraph 17(c)(1), paragraph 1 is revised.

Interest Rate Adjustments

- ☐ Section 1026.20(c) sets forth disclosure requirements for rate adjustments with a corresponding payment change
 - Model Form H-4(D)(1); Sample Form H-4(D)(2)
- ☐ Section 1026.20(d) discloses initial rate adjustment
 - Model Form H-4(D)(3); Sample Form H-4(D)(3)
- ☐ No longer requires an annual notice



Interest Rate Adjustments

- Section 1026.20(c) of Regulation Z
- Applies to creditors, assignees and servicers.
- Applies to:
 - A closed-end ARM secured by the consumer's principal dwelling in which the annual percentage rate may increase after consummation. Does not apply to loan modifications.
- Does apply to ARM/Fixed conversions.



Interest Rate Adjustments

- Section 1026.20(c) of Regulation Z
- Does not apply to:
 - ARMs with terms of one year or less; or
 - The first interest rate adjustment to an ARM if the first payment at the adjusted level is due within 210 days after consummation and the new interest rate disclosed at consummation pursuant to §1026.20(d) was not an estimate.
 - Shared equity
 - Graduated payment loans
 - Preferred rate loans
 - Renewable balloon payment loans
- NO Small Servicer exemption



Interest Rate Adjustments

Timing: At least 60, but no more than 120, days before the first payment at the adjusted level is due.

- At least 25, but no more than 120, days before the first payment at the adjusted level is due for ARMs with uniformly scheduled interest rate adjustments occurring every 60 days or more frequently and for ARMs originated prior to January 10, 2015, in which the loan contract requires the adjusted interest rate and payment to be calculated based on the index figure available as of a date that is less than 45 days prior to the adjustment date.
- As soon as practicable, but not less than 25 days before the first payment at the adjusted level is due, for the first adjustment to an ARM if it occurs within 60 days of consummation and the new interest rate disclosed at consummation pursuant to §1026.20(d) was an estimate.



Interest Rate Adjustments

Content

- Seven Elements
 1. Statement Providing:
 - a. Explanation of time period for the interest rate and when it will change
 - b. Effective date of the interest rate adjustment and when future changes will occur
 - c. Any other changes to the loan terms (*i.e.*, interest only)



Interest Rate Adjustments

Content

- Seven Elements
 - 2. A table containing:
 - a. Explaining time period for the interest rate and when it will change
 - b. Effective date of the interest rate adjustment and when future changes will occur
 - c. Any other changes to the loan terms (*i.e.*, interest only)



Interest Rate Adjustments

Content

- Seven Elements
 3. An explanation of how the interest rate is determined;
 4. Any limits on the interest rate or payment increases at each interest rate;
 5. An explanation of how the new payment is determined;
 6. If applicable a statement regarding interest only or negative amortization;
 7. The circumstances under which a prepayment fee may be imposed.



Changes to Your Mortgage Interest Rate and Payments on *(date)*

Under the terms of your Adjustable-Rate Mortgage (ARM), you had a *(duration)* period during which your interest rate stayed the same. That period ends on *(date)*, so on that date your interest rate and mortgage payment change. After that, your interest rate may change *(frequency)* for the rest of your loan term. [Also, as of *(date)* *(changes to loan terms, features or options)*.]

	Current Rate and <i>(frequency)</i> Payment	New Rate and <i>(frequency)</i> Payment
Interest Rate	___%	___%
[Principal]	[\$____]	[\$____]
[Interest]	[\$____]	[\$____]
[Escrow (Taxes and Insurance)]	[\$____]	[\$____]
Total <i>(frequency)</i> Payment	\$____	\$____ (due <i>(date)</i>)

Interest Rate: We calculated your interest rate by taking a published “index rate” and adding a certain number of percentage points, called the “margin.” Under your loan agreement, your index rate is *(index)* and your margin is ___%. The *(index)* is published *(frequency)* in *(source of information)*. [Description and amount of other adjustment(s) to the index].

Rate Limit[s]: [Your rate cannot go higher than ___% over the life of the loan.] [Your rate can change each year by no more than ___%.] [We did not include an additional ___% interest rate increase to your new rate because a rate limit applied. This additional increase may be applied to your interest rate when it adjusts again on *(date)*.]

New Interest Rate and Monthly Payment: The table above shows your new interest rate and new monthly payment. Your new payment is based on the *(index)*, your margin, [description of other adjustment(s) to the index,] your loan balance of \$____, and your remaining loan term of ___ months.

Interest-Only Payments: Your new payment will not cover any principal. Therefore, making this payment will not reduce your loan balance.]

Warning about Increase in Your Loan Balance: Your new payment covers only part of the interest and no principal. Therefore, the unpaid interest will add to the balance of the loan. [In order to fully pay off your loan by the end of the loan term at the new interest rate, you would have to pay \$____ per month.]]

Prepayment Penalty: [None] [Keep in mind that if you pay off your loan, refinance or sell your home before *(date)*, you could be charged a penalty. Contact *(mortgage company)* at *(telephone number)* [or *(email address)*] for more information, such as the maximum amount of the penalty you could be charged.]]



H-4(D)(2) Sample Form for § 1026.20(c)

July 20, 2012

Jordan and Dana Smith
4700 Jones Drive
Memphis, TN 38109

Springside Mortgage
1234 Main St
Memphis, TN 31801

Changes to Your Mortgage Interest Rate and Payments on September 1, 2012

Under the terms of your Adjustable-Rate Mortgage (ARM), you had a three-year period during which your interest rate stayed the same. That period ends on September 1, 2012, so on that date your interest rate and mortgage payment change. After that, your interest rate may change annually for the rest of your loan term.

	Current Rate and Monthly Payment	New Rate and Monthly Payment
Interest Rate	4.25%	6.25%
Total Monthly Payment	\$983.88	\$1,211.81 (due October 1, 2012)

Interest Rate: We calculated your interest rate by taking a published "index rate" and adding a certain number of percentage points, called the "margin." Under your loan agreement, your index rate is the 1-year LIBOR and your margin is 2.25%. The LIBOR index is published daily in the Wall Street Journal.

Rate Limits: Your rate cannot go higher than 11.625% over the life of the loan. Your rate can change each year by no more than 2.00%.

New Interest Rate and Monthly Payment: The table above shows your new interest rate and new monthly payment. Your new payment is based on the LIBOR index, your margin, your loan balance of \$189,440, and your remaining loan term of 324 months.

Prepayment Penalty: Keep in mind that if you pay off your loan, refinance or sell your home before September 1, 2012, you could be charged a penalty. Contact Springside Mortgage at (800) 765-4321 for more information, such as the maximum amount of the penalty you could be charged.



Interest Rate Adjustments

- Section 1026.20(d) of Regulation Z
- Applies to an adjustable rate mortgage or “ARM,” which is a closed-end consumer credit transaction secured by the consumer’s principal dwelling in which the annual percentage rate may increase after consummation.
- Applies to creditors, assignees and servicers.



Interest Rate Adjustments

- Section 1026.20(d) of Regulation Z
- Does not apply to:
 - ARMs with terms of one year or less; or
 - The first interest rate adjustment to an ARM if the first payment at the adjusted level is due within 210 days after consummation and the new interest rate disclosed at consummation pursuant to §1026.20(d) was not an estimate.
 - Shared equity
 - Graduated payment loans
 - Preferred rate loans
 - Renewable balloon payment loans
- NO Small Servicer exemption



Interest Rate Adjustments

- Timing
 - Provide at least 120, but no more than 240 days before the first payment at the adjusted level is due.
 - If the first payment at the adjusted level is due within the first 210 days after consummation, provide the disclosures at consummation.



Interest Rate Adjustments

Content

- Eleven Elements
 1. Date of the Disclosure
 2. Statement Providing:
 - a. Explaining time period for the interest rate and when it will change
 - b. Effective date of the interest rate adjustment and when future changes will occur
 - c. Any other changes to the loan terms (*i.e.*, interest only)



Interest Rate Adjustments

Content

- Eleven Elements
 3. A table containing:
 - a. Current and new interest rates
 - b. Current and new payments, date new payment is due
 - c. Allocation to principal for interest only or negative amortization



Interest Rate Adjustments

Content

- Eleven Elements
 4. An explanation of how the current interest rate is determined
 5. Any limits on the interest rate or payment increases
 6. An explanation of how the new payment is determined
 7. If applicable, a statement that the new payment will not be applied to principal



Interest Rate Adjustments

Content

- Eleven Elements
 8. The circumstances under which a prepayment fee may be imposed
 9. Telephone number to contact if cannot make payments
 10. Alternatives to paying at new rate
 11. Website for counseling alternatives



H-4(D)(3) Model Form for § 1026.20(d)

(Date)

Changes to Your Mortgage Interest Rate and Payments on (date)

Under the terms of your Adjustable-Rate Mortgage (ARM), you had a (duration) period during which your interest rate stayed the same. That period ends on (date), so on that date your interest rate may change. After that, your interest rate may change (frequency) for the rest of your loan term. Any change in your interest rate may also change your mortgage payment. [Also, as of (date) (change(s) to loan terms, features or options).]

	Current Rate and (frequency) Payment	(Estimated) New Rate and (frequency) Payment
Interest Rate	____%	____%
[Principal]	[\$_____]	[\$_____]
[Interest]	[\$_____]	[\$_____]
[Escrow (Taxes and Insurance)]	[\$_____]	[\$_____]
Total (frequency) Payment	\$_____	\$_____ (due (date))

Interest Rate: We calculated your interest rate by taking a published "index rate" and adding a certain number of percentage points, called the "margin." Under your loan agreement, your index rate is (index) and your margin is ____%. The (index) is published (frequency) in (source of information). [Description and amount of other adjustment(s) to the index.]

[Rate Limit(s)]: [Your rate cannot go higher than ____% over the life of the loan.] [Your rate can change each year by no more than ____%.] [We did not include an additional ____% interest rate increase to your new rate because a rate limit applied. This additional increase may be applied to your interest rate when it adjusts again on (date).]

New Interest Rate and Monthly Payment: The table above shows [our estimate of] your new interest rate and new monthly payment. These amounts are based on the (index) as of now, your margin, [description of other adjustment(s) to the index,] your loan balance of \$_____, and your remaining loan term of ____ months. [However, if the (index) has changed when we calculate the exact amount of your new interest rate and payment, your new interest rate and payment may be different from the estimate above. We will send you another notice with the exact amount of your new interest rate and payment 2 to 4 months before the first new payment is due, if your new payment will be different from your current payment.]

[Interest-Only Payments]: Your new payment will not cover any principal. Therefore, making this payment will not reduce your loan balance.]

[Warning about Increase in Your Loan Balance]: Your new payment covers only part of the interest and no principal. Therefore, the unpaid interest will add to the balance of the loan. In order to fully pay off your loan by the end of the loan term at the new interest rate, you would have to pay \$_____ per month.]]

[Prepayment Penalty]: [None] [Keep in mind that if you pay off your loan, refinance or sell your home before (date), you could be charged a penalty. Contact (mortgage company) at the telephone number [or (email address)] below for more information, such as the maximum amount of the penalty you could be charged.]]

If You Anticipate Problems Making Your Payments:

- Contact (mortgage company) at (telephone number) [or (email address)] as soon as possible.
- If you seek an alternative to the upcoming changes to your interest rate and payment, the following options **may** be possible (most are subject to lender approval):
 - Refinance your loan with us or another lender;
 - Sell your home and use the proceeds to pay off your current loan;
 - Modify your loan terms with us;
 - Payment forbearance temporarily gives you more time to pay your monthly payment.
- If you would like contact information for counseling agencies or programs in your area, call the U.S. Department of Housing and Urban Development (HUD) at (telephone number) or visit [(internet address of the U.S. Department of Housing and Urban Development counseling agency list) [or] [the U.S. Consumer Financial Protection Bureau (CFPB) at (internet address of the U.S. Consumer Financial Protection Bureau homeownership counselors and counseling organization list)]. If you would like contact information for a state housing finance agency, contact the U.S. Consumer Financial Protection Bureau (CFPB) at (internet address of U.S. Consumer Financial Protection Bureau state housing finance agency access list).

H-4(D)(4) Sample Form for § 1026.20(d)

Jordan and Dana Smith
4700 Jones Drive
Memphis, TN 38109

Springside Mortgage
1234 Main St
Memphis, TN 31801

Changes to Your Mortgage Interest Rate and Payments on September 1, 2012

Under the terms of your Adjustable-Rate Mortgage (ARM), you had a three-year period during which your interest rate stayed the same. That period ends on September 1, 2012, so on that date your interest rate may change. After that, your interest rate may change annually for the rest of your loan term. Any change in your interest rate may also change your mortgage payment. Also, as of September 1, 2012 your mortgage payment will include principal as well as interest.

	Current Rate and Monthly Payment	<u>Estimated</u> New Rate and Monthly Payment
Interest Rate	4.25%	6.25%
Principal	- none -	\$237.70
Interest	\$708.33	\$1,041.66
Escrow (Taxes and Insurance)	\$450.00	\$450.00
Total Monthly Payment	\$1,158.33	\$1,729.36 (due October 1, 2012)

Interest Rate: We calculated your interest rate by taking a published "index rate" and adding a certain number of percentage points, called the "margin." Under your loan agreement, your index rate is the 1-year LIBOR and your margin is 2.25%. The LIBOR index is published daily in the Wall Street Journal.

Rate Limits: Your rate cannot go higher than 11.625% over the life of the loan. Your rate can change each year by no more than 2.00%. We did not include an additional 1.00% interest rate increase to your new rate because a rate limit applied. This additional increase may be applied to your interest rate when it adjusts again on September 1, 2013.

New Interest Rate and Monthly Payment: The table above shows our estimate of your new interest rate and new monthly payment. These amounts are based on the LIBOR index as of now, your margin, your loan balance of \$200,000, and your remaining loan term of 324 months. **However, if the LIBOR index has changed when we calculate the exact amount of your new interest rate and payment, your new interest rate and payment may be different from the estimate above. We will send you another notice with the exact amount of your new interest rate and payment 2 to 4 months before the first new payment is due, if your new payment will be different from your current payment.**

Prepayment Penalty: None

If You Anticipate Problems Making Your Payments:

- Contact Springside Mortgage at 1-800-555-4567 as soon as possible.
- If you seek an alternative to the upcoming changes to your interest rate and payment, the following options **may** be possible (most are subject to lender approval):
 - Refinance your loan with us or another lender;
 - Sell your home and use the proceeds to pay off your current loan;
 - Modify your loan terms with us;
 - Payment forbearance temporarily gives you more time to pay your monthly payment.
- If you would like contact information for counseling agencies or programs in your area, call the U.S. Department of Housing and Urban Development (HUD) at 800-569-4287 or visit www.hud.gov/offices/hsp/sfh/hcc/hcs.cfm. If you would like contact information for a State housing finance agency, visit the U.S. Consumer Financial Protection Bureau (CFPB) at <http://www.consumerfinance.gov>.



Prompt Crediting

- Section 1026.36 or Regulation Z
- Applies to loans secured by the consumer's principal dwelling.
- NO small servicer exemption.
- Prompt payment crediting of payments and payoff payments.
 - Servicers must promptly credit payments from borrowers, generally on the day of receipt.
 - Payment equals an amount sufficient for principal, interest and escrow (even if it doesn't cover late fees).
 - May hold partial payments in suspense.



Prompt Crediting

- If holding partial payments in suspense
 - Disclose the total amount held in suspense in periodic statement (if required); and
 - On accumulation of sufficient funds for a periodic payment, apply the funds.
- If the servicer specifies payment requirements in writing and accepts a non-conforming payment, it must apply the payment within five days of receipt.
- No pyramiding of late fees.



Payoff Statements

- Section 1026.36(c) of Regulation Z
- Applies to loans secured by a consumer dwelling.
- Applies to creditors, assignees and servicers (as applicable).
- NO small servicer exemption.
- Requires that payoff statements provide an accurate statement of the total outstanding balance required to pay the obligation in full as of a specified date.
- Timing: Within a reasonable time but not more than seven business days.



Regulation X

- Creates Three Distinct Subparts
 - Subpart A: General (1024.1 – 1024.5)
 - Subpart B: Mortgage Settlement and Escrow Accounts (1024.6 – 1024.20)
 - Subpart C: Mortgage Servicing (1024.21 – end)
- Force Place Insurance
- Error Resolution and Information Requests
- Policies
- Early Intervention
- Continuity of Contact
- Loss Mitigation



Force-Placed Insurance

- Section 1024.37
- Force-placed insurance means:
Hazard insurance obtained by a servicer on behalf of the owners or assignee of a mortgage loan that insures the property securing the loan

Does not include:

- Hazard insurance required by the Flood Disaster Protection Act of 1973
- Hazard insurance obtained by a borrower but renewed by the borrower's servicer per an escrow agreement
- Hazard insurance obtained by a borrower but renewed by the borrower's servicer at its discretion with borrower permission



Force-Placed Insurance

- **Basis for Charging Borrower:** Servicers would not be permitted to charge a borrower for force-placed insurance coverage unless the servicer has a reasonable basis to believe the borrower has failed to maintain hazard insurance and has provided required notices.



Force-Placed Insurance

Two Notices Required. Before assessing a fee, a servicer must:

- **Initial Notice.** At least 45 days before assessing the fee, deliver or place in the mail, a written initial notice;
- **Reminder Notice.** At least 15 days before assessing the fee (and at least 30 days from delivering initial notice), deliver or place in the mail, a reminder notice; and
- **No Evidence.** By the end of 15 days from delivering the reminder notice, have not received evidence demonstrating the borrower has compliant hazard insurance in place.



Force-Placed Insurance

- **Contents of Initial Notice**
 - Date of notice
 - Servicer name and mailing address
 - Borrower's name and mailing address
 - Request for evidence of hazard insurance
 - Warning that hazard insurance is expiring or has expired
 - Statement that hazard insurance is required and that servicer has purchased or will purchase the insurance at borrower's expense



Force-Placed Insurance

■ Contents of Initial Notice

- Request that the borrower promptly provide servicer with evidence
- Description of evidence needed and how borrower may provide (and if it must be in writing)
- A statement that the insurance the servicer obtains:
 - May cost significantly more than borrower purchased
 - Not provide as much coverage as borrower purchased
- Servicer telephone number
- Statement advising borrower to review additional information provided



Force-Placed Insurance

- **Utilize Forms**

- Form MS-3A
- Certain statements must be in bold
 - Request that borrower provide evidence of insurance
 - Statement that servicer has purchased or may purchase insurance at borrower's cost
 - Insurance may cost more than and not provide as much coverage as borrower purchased



Force-Placed Insurance

- **Reminder Notice – No Evidence of Insurance**
 - Date of the notice
 - Statement that the notice is the second and final notice
 - Reiteration of information on Initial Notice
 - Cost of the force-placed insurance, stated as an annual premium or a reasonable estimate
- **Reminder Notice – Not Continuous**
 - Date of the notice
 - Reiteration of information on the Initial Notice except relating to requesting evidence of insurance or warning of force placement
 - Statement that servicer has received evidence
 - Request missing information
 - Warning borrower charged for gap in coverage



Force-Placed Insurance

- **Utilize Forms**

- Form MS-3B (No evidence)
- Form MS-3C (Not continuous)
- Certain statements must be in bold
 - Statement that notice is second and final notice
 - Cost of the force-placed insurance stated as an annual premium or an estimate



Force-Placed Insurance

- **Renewing or Replacing Force-Placed Insurance**
 - Before a servicer assesses on a borrower a premium charge or fee related to renewing or replacing existing force-placed insurance, the servicer must:
 - At least 45 days prior to assessing the fee, deliver or place in the mail a renewal notice; and
 - Not have received as of 45 days from providing the renewal notice, evidence of borrower hazard insurance.



Force-Placed Insurance

- **Renewing or Replacing Force-Placed Insurance**
 - Notwithstanding the notice requirement, if not prohibited by state law, if a servicer has renewed or replaced existing force-placed insurance and receives evidence that borrower lacked insurance coverage for some period of time following expiration, servicer may assess a premium charge or fee relating to the renewal or replacement.



Force-Placed Insurance

- **Renewing or Replacing Force-Placed Insurance**
- **Content of Notice**
 - Date of the notice
 - Servicer's name and mailing address
 - Borrower's name and mailing address
 - Request for borrower to update hazard insurance information
 - Statement that servicer previously purchased insurance on the property and assessed fees to borrower



Force-Placed Insurance

- **Content of Notice**

- Statement that:

- The insurance purchased by the servicer has expired or is expiring; and
 - Because hazard insurance is required, the servicer intends on renewing it.

- A statement that:

- Servicer-purchased insurance may cost significantly more;
 - Such insurance may not provide as much coverage; and
 - The cost of the insurance as an annual premium or an estimate.



Force-Placed Insurance

■ Content of Notice

- Statement that if the borrower purchases hazard insurance he should provide the evidence to the servicer promptly;
- A description of the requested insurance evidence and how to provide it;
- Servicer's telephone number; and
- A statement to review additional information if applicable.



Force-Placed Insurance

- **Utilize Forms**
 - Form MS-3D for renewal notice
- **Frequency**
 - Servicer must provide renewal notice before each anniversary of the insurance
- **Cancellation.** Within 15 days of receiving evidence of hazard insurance, the servicer must:
 - Cancel the force-placed insurance purchased; and
 - Refund all force-placed insurance premium charges and related fees.



Error Resolution

- Section 1024.35
- Applies to any written notice from the borrower that asserts an error and that includes the name of the borrower, information that enables the servicer to identify the borrower's mortgage loan account and the error that the borrower believes occurred.
- A qualified written request is covered



Error Resolution

- An error refers to:
 - Failure to accept a conforming payment
 - Failure to pay taxes, insurance or other charges
 - Imposition of a fee without a reasonable basis
 - Failure to provide an accurate payoff balance
 - Failure to accurately describe loss mitigation options
 - Failure to accurately and timely transfer loan information to a transferee servicer
 - Making a first filing in or moving forward with foreclosure in conflict with Section 1024.41
 - Any other error relating to the servicing



Error Resolution

- A servicer must respond to an error by:
 - Correcting the error or errors and providing written notification of the correction, the effective date of the correction and contact information for further assistance; or
 - Conduct a reasonable investigation and provide the borrower with a written notification that includes a statement that the servicer has determined that no error occurred, the reasons for the determination and information for further assistance
- The servicer may request additional information, but not condition its investigation on receipt



Error Resolution

- Generally, a servicer must comply with the requirement not later than seven days after receipt of the notice of error for payoff errors
- Earlier of prior to the date of a foreclosure or within 30 days after the servicer receives notice of error if the error relates to foreclosure violations
- 30 days for all other errors



Information Requests

- Section 1024.36
- Applies to any written request for information from a borrower that includes the name of the borrower, information that enables the servicer to identify the borrower's mortgage loan account and states the information the borrower is requesting
- Payment coupons are not covered but qualified written requests are



Information Requests

- Servicer must respond by:
 - Providing the borrower with the requested information and contact information for further assistance in writing; or
 - Conducting a reasonable search for the requested information and providing the borrower with written notification that states that the servicer has determined that the reasonable information is not available, provides a basis for the determination and provides contact information for further assistance



Information Requests

- Timing:
 - Not later than 10 days after the servicer receive an information request for the identify of and address or other relevant contact information for, the owner or assignee of a mortgage loan; and
 - For all other requests for information, not later than 30 days after receipt of the request
- Fees generally prohibited



Policies

- Section 1024.38
- Policies must be designed to achieve five objectives
 - Accessing and providing timely and accurate information;
 - Properly evaluating loss mitigation applications;
 - Facilitating oversight of and compliance by service providers;
 - Facilitating transfer of information during servicing transfers; and
 - Informing borrowers of the written error resolution and information request procedures.



Policies

- Record Retention
 - Maintain for one year after the date the loan is discharged or servicing transferred
 - Schedule of all transactions debited or credited, including escrow and suspense;
 - Copy of security instrument;
 - Any notes;
 - A report of the data fields relating to the account; and
 - Copies of any information or documents provided by the borrower relating to error resolution or loss mitigation.



Early Intervention

- Section 1024.39
- Not later than the 36th day of delinquency, a servicer must establish or make good faith efforts to establish live contact.
 - After establishing live contact, inform the borrower about the availability of any loss mitigation efforts
- Notice to delinquent borrowers required.



Early Intervention

- **Timing.** Provide notice not later than the 45th day of delinquency and not more often than once during 180-day period.
- **Content.** The notice must include:
 - Encouraging the borrower to contact the servicer
 - Telephone number and mailing address
 - Description of any available loss mitigation options
 - Websites for housing counselors
- **Form.** Model MS-4(A), MS4-B, MS-4(C)



Continuity of Contact

- Section 1024.40
- **Policies.** Maintain policies and procedures designed to:
 - Assign personnel to a delinquent borrower by the time early intervention notice is provided, but not later than 45th day of delinquency;
 - Make personnel available to delinquent borrower until the borrower makes two consecutive payments without incurring a late charge; and
 - Ensure a timely live response.



Continuity of Contact

- **Policies.** Maintain policies and procedures to ensure assigned servicer personnel:
 - Provide borrower with accurate information about loss mitigation options, actions and status; and
 - Retrieve records and information related to payment history and loss mitigation or how to submit notice of error.



Loss Mitigation

- Section 1024.41
- Does not impose a duty on a servicer to provide a borrower with any specific loss mitigation option
- “Complete loss mitigation application”
 - A servicer has received all information that the servicer requires to evaluate application for the loss mitigation options available



Loss Mitigation

- **Review of Loss Mitigation Application**
- If received 45 days or more prior to foreclosure action:
 - Review for completeness; and
 - Notify within five days (excluding holidays, Saturdays and Sundays), whether complete.
 - If incomplete identified information needed to complete by earliest of:
 - 120th day of delinquency;
 - 90 days before foreclosure sale; or
 - 38 days before foreclosure sale.



Loss Mitigation

- **Complete Loss Mitigation Application**
 - If received within 37 days of foreclosure
 - Within 30 days of receipt:
 - Evaluate for loss mitigation options; and
 - Provide notice of which options available.
- **Incomplete Loss Mitigation Application**
 - May evaluate and offer loss mitigation options based on incomplete information.



Loss Mitigation

- **Denial.** Servicer's notice must state:
 - Specific reasons for each trial or permanent option; and
 - That the borrower may appeal (if available) and deadline and details for making the appeal.



Loss Mitigation

- **Borrower Response.** If the servicer receives a complete loss mitigation application, it may require a response:
 - Not earlier than 14 days after the offer if the application is received 90 or more days before the foreclosure sale
 - Not earlier than 7 days after the offer if the application is received less than 90 but not more than 37 days before the foreclosure sale
 - Failure to response may be considered a rejection
 - Timeframes may not apply during an appeal



Loss Mitigation

- **“Dual Tracking” Prohibited.**
 - A servicer may not make the first notice or filing required by applicable law for a judicial or non-judicial foreclosure process unless the borrower’s mortgage loan obligation is more than 120 days delinquent (“pre foreclosure review period”)
 - If application for loss mitigation is received during the pre foreclosure review period, the servicer may not make first filing unless:
 - The borrower has not appealed a loss mitigation decision;
 - The borrower rejects the loss mitigation plans offered; or
 - The borrower failed to perform under a loss mitigation plan.



Loss Mitigation

- **“Dual Tracking” Prohibited.**
 - If a borrower submits an application after the servicer has made the first notice or filing, but more than 37 days before a foreclosure sale, a servicer may not move forward unless:
 - The borrower has not appealed a loss mitigation decision;
 - The borrower rejects the loss mitigation plans offered; or
 - The borrower failed to perform under a loss mitigation plan



Loss Mitigation

■ Appeal Process

- If a servicer receives a complete loss mitigation application 90 days or more before a foreclosure sale or during the pre foreclosure review period, the servicer must permit a borrower to appeal the determination to deny the application within 14 days of the offer
- The appeal must be done by different personnel from the persons who reviewed the application
- Servicers have 30 days to review appeals



Loss Mitigation

■ Small Servicers

- A small servicer may not make the first notice of filing required by applicable law for any judicial or non-judicial foreclosure process unless a borrower's mortgage loan obligation is more than 120 days delinquent.
- A small servicer may not make the first notice of filing required by applicable law for any judicial or non-judicial foreclosure sale and may not move for foreclosure judgment or order of sale, or concoct a foreclosure sale, if a borrower is performing pursuant to the terms of an agreement on a loss mitigation option.



Questions?

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