

# National Mortgage Servicing Settlement – An Overview

Office of Attorney General  
Kenneth T. Cuccinelli, II



# Who is Involved?

- ▶ 49 attorneys general (not Oklahoma)
- ▶ 43 state banking commissioners, including Va.
- ▶ U.S. DOJ, FTC, Treasury, and HUD.
- ▶ Five largest mortgage servicers in U.S.:
  - Bank of America, J.P. Morgan Chase, Wells Fargo, Citigroup, and Ally Financial
  - ≈ 59% of U.S. market of residential mortgage servicing



# What is Settled?

- ▶ State and Federal, civil and administrative claims regarding:
  - Residential mortgage loan servicing
  - Foreclosure services, and
  - Mortgage loan origination (i.e. lending) services.



# What is NOT Settled?

- ▶ Criminal claims
- ▶ Securitization claims
- ▶ Claims against MERS
- ▶ Any third parties' claims
  - e.g., individual borrowers
- ▶ Claims re loans with Fannie Mae & Freddie Mac



# Projected Benefits Direct to Affected Virginia Home Borrowers

- ▶ \$409.9 million in total benefits includes:
  - \$294.3 million in “menu” of benefits;
  - \$31.3 million in cash to foreclosed borrowers; and
  - \$84.3 million in interest savings from refinancing underwater homes (borrower owes more than current value of home).



# \$294.3 Million “Menu”

- ▶ Loan modifications;
  - Includes principal reduction
- ▶ Short sale/deed in lieu approvals;
- ▶ Deficiency waivers;
- ▶ Transitional funds (cash for keys).



# \$31.3 Million to Foreclosed Borrowers

- ▶ All foreclosed borrowers of the 5 banks.
- ▶ Between Jan. 1, 2008 and Dec. 31, 2011:
  - Approximately 15,000 homeowners;
  - Approximately \$2,000 per borrower.
- ▶ Regardless of wrongdoing or lack thereof.
- ▶ Borrowers must apply for this payout.



# \$84.3 Million for Refinancings

- ▶ For “underwater” borrowers;
  - Borrowers that owe more than home is worth.
- ▶ Interest rate of existing loan is over 5.25%.
- ▶ Borrower must be current on payments.



# Payments to Virginia

- ▶ OAG will receive \$69.6 million.
  - Deposited in “Revolving Fund.”
- ▶ State Corporation Commission and its Bureau of Financial Institutions will receive \$1 million.



# What can Virginia do with its state payment ?

- ▶ No specific requirements or limitations.
- ▶ Preference that money be used for foreclosure prevention or counseling programs, or to enhance consumer protection efforts to prevent and prosecute financial fraud.
- ▶ Many AGs are spending this money themselves.



# Virginia Foreclosure Trends

- ▶ # of foreclosures slowed over the past year:
  - Stabilization in the economy
  - Some settling servicers held back on foreclosures while waiting for completion of national settlement
- ▶ In October 2011, ~0.29% of Va. homes with mortgages foreclosed upon.
- ▶ Contrast with October 2010: ~0.41%.

Source: VHDA/RealtyTrac/Census Bureau/Mortgage Bankers Association



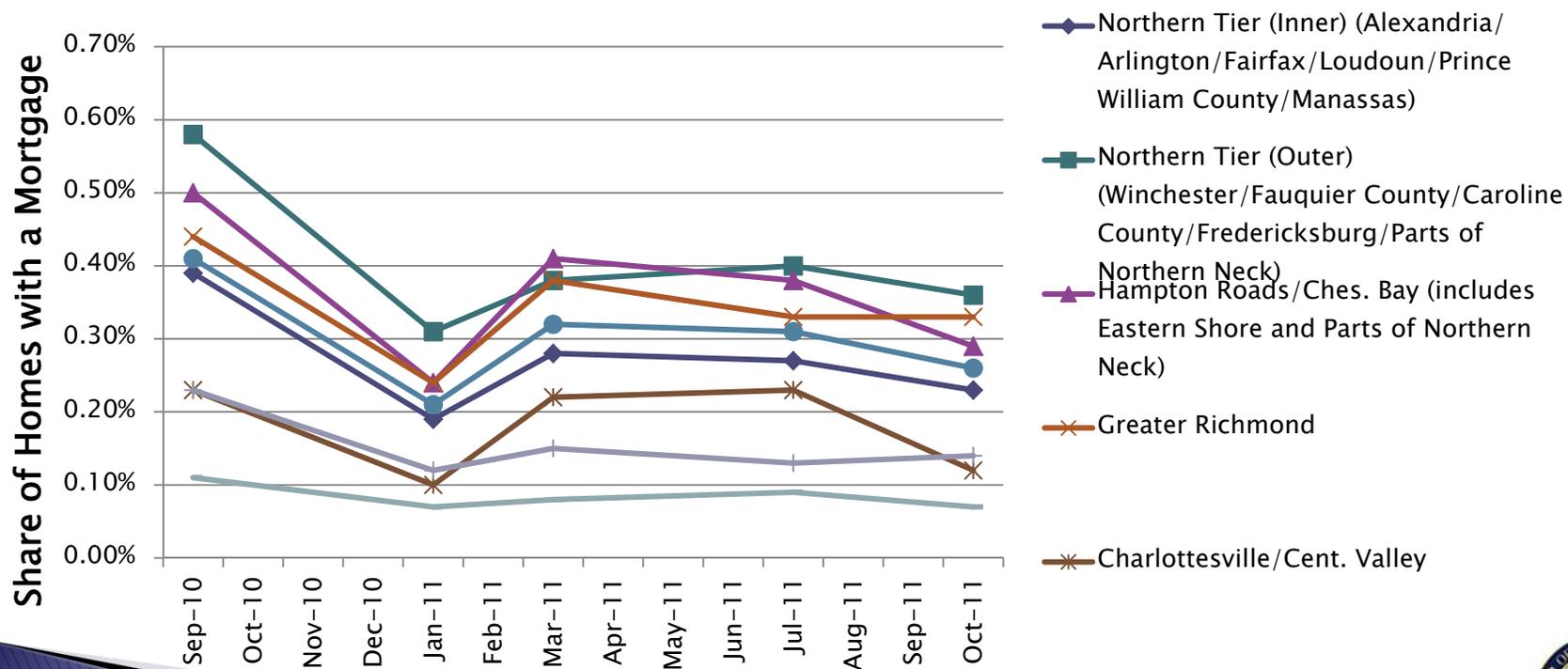
# Virginia Foreclosure Trends

- ▶ Delinquencies (30-day and 60-day) slightly declined since peak in 3Q 2009.
  - 2.8% of all mortgages 30 days delinquent in 3Q 2011 down from 3.0% in 3Q 2009.
  - 1.2% of all mortgages 60 days delinquent in 3Q 2011 versus 1.4% in 3Q 2009.



# Virginia Foreclosure Trends by Region

## Trustee Sales and Lender Repossessions



Source: VHDA/RealtyTrac/Census Bureau



# Inventories of Lender-Owned Homes

- ▶ Jan. 2009: 21,000 lender-owned homes
  - About 80% (~17,000) of the lender-owned homes located in Northern Virginia, including Fredericksburg, Caroline, and parts of Northern Neck.
- ▶ Oct. 2011: 15,000 lender-owned homes
  - Just over half (7,500+) located in Northern Virginia.

Source: VHDA/RealtyTrac



# Non-Monetary: Servicing Standards

- ▶ Servicers agreed to new practices and procedures.
- ▶ Provide fair, transparent, and timely process for servicer decisions on requests for loan modifications, short sales, and/or deeds in lieu of foreclosure.



# Servicing Standards: The Highlights

- ▶ Prohibition on Robo-Signing: Affidavits based on personal knowledge and signed in presence of notary.
- ▶ Required Pre-Foreclosure Notice to Borrower:
  - Account summary;
  - Description of facts supporting lenders' right to foreclose;
  - Summary of loss mitigation options offered; and
  - Notice of right to request copy of note with endorsements and name of investor holding the loan.



# Servicing Standards: The Highlights

- ▶ Restrictions on Dual Tracking: Can't refer borrower to foreclosure or move on foreclosure until a completed loan modification application is acted upon.
- ▶ Single Point of Contact Required
  - A single office, not a single person;
  - With complete record of contacts.



# Servicing Standards: The Highlights

- ▶ Development of Loan Portals: Banks required to develop Internet loan portals so borrowers can check status of loan modification applications online at no cost.
- ▶ Timeline: Review and act upon completed loan modification applications within 30 days of receipt.



# QUESTIONS?

Visit the national foreclosure settlement web site:  
**[www.NationalMortgageSettlement.com](http://www.NationalMortgageSettlement.com)**

Accessible at Virginia Attorney General's web site:  
**[ag.virginia.gov](http://ag.virginia.gov)**

