

Joint Federal-State Mortgage Servicing Settlement

Highlights

- This \$25 billion national settlement makes the mortgage services pay for wrongdoing, provides real financial help for homeowners, and requires mortgage servicers to treat homeowners fairly.
- It's the result of a years-long effort by state attorneys general to hold the five largest mortgage servicers accountable for their misconduct and mistreatment of homeowners.

Financial relief for homeowners

- Homeowners will get at least \$17 billion and likely as much as \$32 billion in direct loan modification relief, including principal reduction.
- This relief will help many homeowners avoid foreclosure and stay in their homes with affordable payments.
- Many homeowners whose mortgages exceed the value of their homes can tap into a fund of \$3 billion to refinance their mortgages.
- \$5 billion will go to the states and federal government (\$4.25 billion to states and \$750 million to the federal government) and will be used to fund housing counselors, legal aid, and other assistance for homeowners, including cash payments for borrowers who experienced servicing abuse.

Treating homeowners fairly

- Stops many past foreclosure abuses, such as robo-signing, improper documentation and lost paperwork with new, enforceable mortgage servicing standards.
- Requires strict oversight of foreclosure processing.
- Mortgage servicers will have to evaluate homeowners for other loan mitigation options first, making foreclosures a last resort.
- Restricts banks from foreclosing while the homeowner is being considered for a loan modification
- Sets procedures and timelines for reviewing loan modification applications, and gives homeowners the right to appeal denials.
- Creates a single point of contact for borrowers seeking information about their loans and adequate staff to handle calls.
- These tough new standards will be enforced by court order and overseen by an independent monitor.