



## Mortgage Industry Bulletin

### [www.nationalmortgagesettlement.com](http://www.nationalmortgagesettlement.com)

*February 9, 2012* — In the end, most of the 50 state Attorney Generals decided to be part of the National Mortgage Settlement announced today. Although the agreement was only made with the five leading bank mortgage servicers (Ally, Bank of America, Citi, JP Morgan Chase, and Wells Fargo), it is expected to influence the entire mortgage servicing industry and result in comprehensive reforms of mortgage loan servicing.

While robo-signing received the most media attention, the settlement covers a wide range of alleged performance failures that resulted in many servicer-related problems for consumers. Over the next several weeks, a toll-free number and website will be set up to assist homeowners through the process of filing claims. For now, the new website above is up and running with basic information about the Settlement Agreement. In addition, the five banks will be subject to a federal court order enforceable by a federal judge and a special independent monitor was appointed with oversight authority.

Nationwide reforms to mortgage servicing standards are expected to follow procedures outlined in the Agreement. Required under the terms of the Settlement, the standards are expected to quickly become the baseline for the entire industry. These include single point of contact, adequate staffing levels and improved training, better communication with borrowers, appropriate standards for foreclosure documentation, ending improper fees and ending dual-track foreclosures for many loans.

Highlights of the new standards [1] include:

- Return integrity and accuracy to foreclosure and bankruptcy proceedings
- Enhanced loss mitigation protection for the borrower
- Restrictions on servicing fees
- Measures to deter community blight

***Force-place insurance is included with a few new wrinkles that are noted, but not fully detailed.*** Banks and servicers may not obtain force-place insurance unless there is reasonable cause to believe a homeowner has not paid for coverage. If a homeowner makes payments into an escrow account, the bank/servicer is required to continue to advance payments to the insurer regardless of homeowner payment.

Disclosures are noted and written notice to the borrower must include the following:

- Reminder that insurance obligation is due and no payment (proof) was received
- Details on how to prove insurance coverage has been obtained voluntarily
- Explain that force-place coverage may be higher cost and only protect the lender
- Notice the bank/servicer will set up an escrow account and advance premiums if the borrower wishes
- A second written notice must follow 30 days after the first notice

Banks/servicers are required to accept any reasonable form of written coverage confirmation. Within 15 days of evidence receipt, bank/servicer must terminate insurance and refund any premium for covered periods of time. In addition, if mortgage payments are escrowed, the bank/servicer will continue to make payments if there is a lapse in payments. Finally, force-place insurance must be purchased at a commercially reasonable price.

Since all of the final pieces of the Settlement fell together in a very tight span of time, we can expect more information to follow as specific details are worked out and announced.

###

[1] A link is provided below to the overview and highlights of the new National Mortgage Service standards.  
<http://www.riag.ri.gov/documents/reformshomeowners.pdf>

This information offers speculative insight into possible controls impacting the mortgage servicing industry. Loan Protector provides this information as a service to our clients. A link is provided to a URL for the indicated materials, but Loan Protector is not responsible for the content of these sites. Information provided by Loan Protector Insurance Services, a Willis North America Company. Contact Ken Evans, 440-505-6099.

Material regarding the insurance and mortgage servicing industry in this bulletin is provided "as is." Should you have any questions about the potential applicability or non-applicability of any such information, please consult with your legal advisor. No representation is made as to the completeness or accuracy of the information contained herein. In particular, this information may be incomplete, contain errors or be out of date. Information provided in this bulletin is not and should not be considered legal advice.