

## **Fact Sheet: Mortgage Servicing Settlement**

***Financial Relief for Homeowners:*** The servicers will be required to dedicate \$20 billion to various forms of relief to borrowers.

- *Principal reduction.* At least \$10 billion will be dedicated to reducing principal for borrowers who, as of the date of the settlement, owe more on their mortgages than their homes are worth and are either delinquent or at imminent risk of default.
- *Refinancing.* At least \$3 billion will be dedicated to a refinancing program for borrowers who are current on their mortgages but who owe more on their mortgages than their homes are worth. All borrowers who meet basic eligibility criteria will be eligible for the refinancing, which will reduce interest rates for borrowers who are currently paying much higher rates or whose adjustable rate mortgages are due to soon rise to much higher rates.
- *Other forms of relief.* Servicers will be required to dedicate up to \$7 billion to other forms of relief, including forbearance of principal for unemployed borrowers, anti-blight programs, short sales and transitional assistance, benefits for service members who are forced to sell their homes at a loss as a result of a Permanent Change in Station, and other programs.

To encourage servicers to provide relief quickly, there are incentives for relief provided within the first 12 months – and additional cash payments required for any servicer that fails to meet its obligation within three years.

Servicers will receive only partial credit for every dollar spent on some of the required activities, so the settlement will provide direct benefits to borrowers in excess of \$20 billion.

***Payments to State and Federal Governments:*** In addition to the \$20 billion of financial relief for homeowners, the servicers will make \$5 billion in cash payments to the states and federal government. Of the \$5 billion:

- *Payments to Foreclosed Borrowers.* Through the settlement, a \$1.5 billion Borrower Payment Fund will be established to provide cash payments to borrowers whose homes were sold or taken in foreclosure between and including Jan. 1, 2008 and Dec. 31, 2011, and who meet other criteria. This program is distinct from, but complimentary to, the restitution program currently being administered by federal banking regulators to compensate those who suffered direct financial harm as a result of wrongful servicer conduct.
- *State and federal payments.* The remaining funds will go to state and federal governments to be used to repay public funds lost as a result of servicer

misconduct, fund housing counselors, legal aid, and other similar purposes determined by state attorneys general. The funds coming to the federal government will primarily be allocated to the FHA Capital Reserve Account, with portions also going to the Veterans Housing Benefit Program Fund and to the Rural Housing Service.

***Financial Obligations of Individual Servicers:***

<b>Institution</b>	<b>Federal and State Payments</b>	<b>Relief to Borrowers (Principal Writedown, Refinancing, and Other Programs)</b>
Ally Financial, Inc.	\$110 million	\$200 million
Bank of America Corp. <i>* including EDNY FHA origination settlement</i>	\$3.24 billion	\$8.58 billion
Citigroup, Inc.	\$415 million	\$1.79 billion
J.P. Morgan Chase & Co.	\$1.08 billion	\$4.21 billion
Wells Fargo & Co.	\$1.01 billion	\$4.34 billion

***New Servicing Standards:*** Servicers are agreeing to implement extensive new servicing standards, designed to correct the kinds of conduct that harmed consumers during recent years.

- Stop many past foreclosure abuses, such as robo-signing, improper documentation and lost paperwork through new mortgage servicing standards.
- Require strict oversight of foreclosure processing, including of third-party vendors.
- Impose new standards to ensure the accuracy of information provided in federal bankruptcy court, including pre-filing reviews of certain documents.
- Make foreclosure a last resort, by requiring servicers to evaluate homeowners for other loan mitigation options first.
- Restrict banks from foreclosing while the homeowner is being considered for a loan modification.
- Set procedures and timelines for reviewing loan modification applications, and give homeowners the right to appeal denials.
- Create a single point of contact for borrowers seeking information about their loans and adequate staff to handle calls.

***Benefits to Servicemembers and Veterans:*** The settlement contains a number of provisions designed both to protect servicemembers' rights under the law and to provide them significant additional benefits.

- *Wrongful foreclosures.* To resolve allegations of liability that have not previously been settled, Chase, Citi, Wells Fargo, and Ally have agreed to conduct a full review, overseen by the Department of Justice's Civil Rights Division, to determine whether any servicemembers were foreclosed on in violation of the Servicemembers Civil Relief Act (SCRA) since January 1, 2006. Ally, Citi, Wells Fargo will be required to provide any servicemember who was a victim of a wrongful foreclosure as a result of a violation of the SCRA with a payment equal to the servicemember's lost equity, plus interest, and an additional \$116,785 or an amount provided for the same violation under the review conducted by the banking regulators, whichever is higher. To ensure consistency with an earlier settlement, JP Morgan Chase will provide any servicemember who was a victim of a wrongful foreclosure as a result of a violation of the SCRA either his or her home free and clear of any debt plus compensation for additional harm or the cash equivalent of the full value the home at the time of sale plus compensation for additional harm. The compensation for servicemembers wrongfully foreclosed on is in addition to the \$25 billion settlement amount.
- *Interest Charged in Excess of 6%.* To resolve allegations of liability that have not previously been settled, Citi, Wells Fargo, and Ally have also agreed to conduct a thorough review, overseen by the Department of Justice's Civil Rights Division, to determine whether any servicemember, from January 1, 2008 to the present, was charged interest in excess of 6% on their mortgage, after a valid request to lower the interest rate, in violation of the SCRA. Servicers will be required to provide any servicemember who was wrongfully charged interest in excess of 6% with a payment equal to a refund, with interest, of any amount charged in excess of 6% plus triple the amount refunded or \$500, whichever is larger. This compensation for servicemembers is in addition to the \$25 billion settlement amount.
- *PCS orders.* Under the Department of Defense's Homeowners' Assistance Program (HAP), certain service members who are forced to sell their home at a specified loss due to a Permanent Change in Station (PCS) may be partially compensated for the loss in their home's value. However, under the governing statute for HAP, only certain PCS servicemembers are eligible for benefits. Under this settlement, all of the participating servicers will provide mandatory short sale agreements and deficiency waivers to certain servicemembers who are currently ineligible for HAP.
- *Veterans Housing Benefit Program.* \$10 million will be paid into the Veterans Housing Benefit Program Fund through which the Department of Veterans Affairs guarantees loans provided on favorable terms to eligible veterans. In addition, except where prohibited by statutory requirements, veterans with VA-guaranteed mortgages will be eligible for relief provided through the servicers' \$20 billion consumer relief obligations.

- *Foreclosure Protections for Servicemembers Receiving Hostile Fire / Imminent Danger Pay.* For loans secured by servicemembers when they were not on active duty, the SCRA prohibits servicers from foreclosing on active duty servicemembers without first securing a court order. The settlement extends this protection to all servicemembers, regardless of when their mortgage was secured, who within nine months of the foreclosure received Hostile Fire/ Imminent Danger Pay and were stationed away from their home.

**Claims Resolved:** While resolving certain violations of civil law based on the banks' mortgage loan servicing activities, the United States and the state attorneys general preserved authorities in a number of areas.

- *Criminal authorities.* The United States and the state attorneys general can still pursue criminal enforcement actions.
- *Securities claims.* The agreement does not prevent the United States from pursuing action against the banks related to misrepresentations of the quality of loans that were packaged into mortgage-based securities or the conduct that is the focus of the new Residential Mortgage-Backed Securities Working Group. The states have also preserved their rights to bring actions related to securitization activities and MERS.
- *Loan Origination claims.* The United States retains its full authority to recover losses – and penalties – caused to the federal government when a bank failed to satisfy underwriting standards on a government-insured or government-guaranteed loan, with the exception of certain faulty origination practices by Bank of America on FHA-insured loans. These claims were resolved with \$1 billion as part of the settlement. FHA retained its administrative authority to recover its actual losses when Bank of America submits an FHA loan for insurance review in the future.
- *Borrower claims.* The settlement does not prevent any claims by individual borrowers who wish to bring their own lawsuits.

**Enforcement:** Compliance with the settlement will be overseen by Joseph A. Smith, who will serve as Monitor in enforcing the consent judgment. As North Carolina's banking commissioner since 2002, Smith oversaw implementation of a leading foreclosure-prevention program; he has also served as Chairman of the Conference of State Banks Supervisors and was President Obama's nominee to serve as Director of the Federal Housing Finance Agency. The Monitor will oversee implementation of the extensive servicing standards required by the settlement; impose penalties of up to \$1 million per violation (or up to \$5 million for certain repeat violations); and publish regular public reports that identify any quarter in which the Servicer fell short of the standards imposed in the settlement. The settlement will be filed as a Consent Judgment in the United States District Court for the District of Columbia and remain in effect for three-and-a-half years.