

**SMALL BUSINESS REVIEW PANEL FOR  
MORTGAGE SERVICING RULEMAKING**

**OUTLINE OF PROPOSALS UNDER CONSIDERATION AND  
ALTERNATIVES CONSIDERED**

**I. INTRODUCTION**

- Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203, approved July 21, 2010) (“Dodd-Frank Act,” “DFA,” or the “Act”)<sup>1</sup> in the wake of the greatest financial crisis since the Great Depression. At the epicenter of this crisis was the mortgage meltdown. The serious and widespread deficiencies in the mortgage market damaged American homeowners, financial institutions, and the wider economy.
- Mortgage servicing in particular has been marked by pervasive and profound consumer protection problems.<sup>2</sup> In examinations of fourteen major servicers, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Office of Thrift Supervision concluded that servicers were “emphasiz[ing] speed and cost efficiency over quality and accuracy” in their foreclosure processes.<sup>3</sup>
- The Dodd-Frank Act mandates several protections for homeowners in the servicing of their loans, including:
  - (1) new disclosures (periodic statements, notice prior to reset of adjustable rate mortgages (“ARMs”), and force-placed insurance notices) that will help provide consumers with comprehensive and comprehensible information, when they need it, in a form they can use, so they can better manage their obligations and avoid unnecessary problems;
  - (2) new requirements for servicers to respond in a timely way to homeowners who complain to their servicer about a potential mistake, and for responses that tell the homeowner how the complaint was resolved and why;
  - (3) prompt crediting of payments, so consumers are not wrongly penalized with late fees or other fees because a servicer did not credit their payments quickly; and
  - (4) timely response to requests for payoff information, so consumers can get their balance information when they need it.
- These new statutory requirements will take effect automatically in January 2013, as

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<sup>1</sup> Dodd-Frank Act, secs. 1418, 1420, 1463(a), and 1464(a) (<http://www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf>). See Attachment A.

<sup>2</sup> See e.g., Testimony of John Walsh, Acting Comptroller of the Currency, before the U.S. Senate Committee on Banking, Housing and Urban Affairs at p. 16 (February 17, 2011; *United States of America et al. v. Bank of America Corporation et al.*, Compl. ¶¶ 47-101 (D.C. Cir.), available at: [www.nationalmortgagersettlement.com](http://www.nationalmortgagersettlement.com).

<sup>3</sup> Federal Reserve System, Office of the Comptroller of the Currency, and Office of Thrift Supervision, “Interagency Review of Foreclosure Policies and Practices,” p. 5, (April 2011), <http://www.occ.gov/news-issuances/news-releases/2011/nr-occ-2011-47a.pdf>.

written in the statute, unless final rules are issued first. The statute authorizes the CFPB to adopt implementing regulations and, by doing so, extend the effective date. The Bureau intends to use these authorities to adopt regulations that provide servicers with clarity about their statutory obligations and permit servicers sufficient time to come into compliance. The Bureau will also consider adjusting servicers' statutory obligations to ease burden where consistent with adequate protection of homeowners.

- The CFPB is also considering whether to propose additional standards to improve the way servicers treat homeowners in distress. Servicers, in particular the larger ones, can make it very difficult for distressed homeowners to explore and take advantage of potential ways to avoid a foreclosure. For example, servicers have frequently neglected to reach out or respond to a distressed homeowner in time, lost documents of homeowners who have sought modifications or other relief, failed to track communications with homeowners, and forced homeowners who have invested substantial time communicating with an employee of the servicer to "start over" with a different employee.<sup>4</sup>
- To address these concerns, the CFPB is considering proposing new servicing operations standards in three areas:
  - (1) servicers would have to maintain reasonable information management policies and procedures,
  - (2) servicers would have to intervene early with troubled and delinquent borrowers, and
  - (3) servicers would have to assure that staff who deal with homeowners have access to records about that homeowner, including records of the homeowner's previous communications with the servicer.
- The Bureau recognizes that a one-size-fits-all approach may not be optimal with regard to either the mandated or additional requirements. In convening a Small Business Review Panel, the CFPB seeks input to help it determine to what extent it may be appropriate to consider adjusting these standards for small servicers, to the extent the statute allows adjustments. This document provides the small servicers that will consult with the panel, and the broader public, details about the proposals under consideration. These details will help servicers provide the CFPB useful feedback before the CFPB proposes a regulation. The CFPB is particularly interested in learning whether adjustments may be called for in the case of small servicers that originate loans for their customers and self-service those loans either while held in portfolio or after selling the loans (servicing retained) to Government-Sponsored Enterprises ("GSEs") or other investors. The CFPB seeks to understand how consumers would be protected in those cases where adjustments may be appropriate.
- Consistent with SBREFA, this summary provides a preliminary assessment of the

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<sup>4</sup> See e.g. Larry Cordell, Karen Dynan, Andreas Lehnert, Nellie Liang and Eileen Mauskopf, "The Incentives of Mortgage Servicers: Myths and Realities," Finance and Economics Discussion Series, Divisions of Research & Statistics and Monetary Affairs, Federal Reserve Board, Working Paper 2008-46, at p. 9 (2008).

potential benefits and costs to the types of small businesses and other small entities that would be subject to the proposals under consideration—namely, mortgage servicers (such as community banks, credit unions, independent servicers, small non-profit organizations and possibly small government jurisdictions). Without making an official data request, the CFPB states that it welcomes any quantitative information Small Entity Representatives may choose to provide with regard to the costs and benefits of the rules the CFPB is considering proposing. Drawing in part on information gained through the SBREFA panel process, the CFPB will publish with the proposed rule an analysis of the benefits and costs to consumers and industry and of the impacts on small entities specifically. Comments received during the notice and comment period after the publication of the proposed rule will further inform the CFPB during the rulemaking process

## **II. STATEMENT OF OBJECTIVES AND LEGAL BASIS**

- The Dodd-Frank Act imposes certain requirements concerning mortgage servicing that become self-executing and enforceable on January 21, 2013, unless final rules are issued on or before that date. Final rules must take effect no later than 12 months after the date of issuance (*i.e.*, not later than January 21, 2014). The CFPB plans to implement the mandatory statutory provisions by proposing amendments to Regulation Z and Regulation X, which implement TILA and RESPA respectively.
- DFA TILA Amendments
  - Section 1418: ARM notice provided 6 months prior to the initial reset of the interest rate for closed-end credit transactions secured by a consumer's principal residence. This rulemaking also would amend the timeframe and content of the periodic ARM adjustment notices required under current regulations.<sup>5</sup>
  - Section 1420: Periodic statement provided each billing cycle for closed-end credit transactions secured by a dwelling, except not required for fixed rate loans with coupon books containing substantially the same information.
  - Section 1464: Prompt crediting of mortgage payments in connection with consumer credit transactions secured by a consumer's principal dwelling and accurate response to requests for payoff amounts for home loans.
- DFA RESPA Amendments
  - Section 1463 requires the following for federally related mortgages:
    - Two notices must be sent to borrowers with lapsing or lapsed hazard insurance policies alerting them to the servicer obtaining force-placed insurance policies and setting forth requirements and procedures servicers

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<sup>5</sup> See TILA's Regulation Z 1026.20(c) (formerly 226.20(c)).

must follow before charging consumers for such coverage. Servicers must terminate such coverage and reimburse borrowers for premiums charged during any period of overlapping coverage.

- Timely response to borrowers' requests to correct certain types of errors and to respond to borrowers' inquiries.
- Responding within ten business days to a borrower's request for the identity, address, and other relevant contact information about the owner or assignee of the loan.
- A prohibition on charging fees for responding to valid qualified written requests.
- Servicers must "comply with any other obligation found by the [CFPB], by regulation, to be appropriate to carry out the consumer protection purposes of this Act." In light of the systemic problems identified in the servicing industry, the CFPB believes it may be appropriate to exercise this authority by amending Regulation X to mandate processes and services intended to prevent avoidable foreclosures. To this end, the CFPB is considering proposing that servicers:
  - Establish reasonable policies and procedures for managing borrower information,
  - Undertake early intervention with troubled and delinquent borrowers, and
  - Provide troubled and delinquent borrowers with continuity of contact with staff equipped to assist them.

### **III. OUTLINE OF PROPOSALS UNDER CONSIDERATION**

#### **A. MORTGAGE SERVICING DISCLOSURES<sup>6</sup>**

- The Dodd-Frank Act requires the following new disclosures: a periodic statement, notices prior to charging for any force-placed insurance, and a notice prior to the first reset of

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<sup>6</sup>The CFPB is accumulating information about the one-time and ongoing costs of new disclosures for small entities, but the CFPB does not currently have information that is clearly applicable to the disclosures in this rulemaking. Small Entity Representatives recently provided the Bureau with information about the cost of integrating the Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA) mortgage loan origination forms. However, the integrated TILA/RESPA form is distinctive in both the amount of information that is both required from and provided to consumers. The costs of software, training, and fees (including attorney fees) associated with developing and providing the TILA/RESPA form may not be directly applicable to the simpler disclosures in this rulemaking. The CFPB is therefore asking Small Entity Representatives for information about the one-time and ongoing costs for developing and providing the new disclosures in this rulemaking.

hybrid adjustable rate mortgages. The new disclosure requirements will take effect with or without a Bureau regulation. The Bureau believes a regulation will aid consumers and servicers by clarifying legal rights and obligations and specifying disclosure requirements based on empirical testing.

- The CFPB is conducting outreach to both industry and consumer groups regarding DFA's mortgage servicing disclosure amendments, including small business servicers. In addition, between February 13 - 23, 2012, the CFPB posted a draft model periodic statement on its website for general comment.
- The CFPB is considering proposing a model form for the periodic statement, ARM reset notices, and force-placed insurance notices. Generally, model forms benefit servicers by providing them with safe harbors for complying with disclosure obligations, while preserving flexibility for servicers to vary from the model so long as they adhere to the regulation. With regard to the periodic statement and the ARM notices, the CFPB is considering a proposal that would require them to contain certain items and to group some of those items together for clarity and emphasis, but would permit servicers and creditors to customize the form in other respects.
- Through one-on-one interviews with consumers, the CFPB is testing the optimal amount, content, and presentation of information to include in each of the disclosures. The CFPB has conducted three rounds of testing in three different parts of the country.<sup>7</sup> A fourth round of testing may take place after the proposal is issued. The selection of testing locations took into account geographic, economic, and size diversity as well as diversity of consumer demographics, such as age, race, and mortgage experience. The CFPB will publish a report summarizing the results of the cognitive interviews, along with publication of its proposed mortgage servicing rules.

### **(1) Periodic Statement**

- DFA Section 1420 amends TILA by adding a new requirement that a creditor, assignee, or servicer of any residential mortgage loan – a closed-end credit transaction secured by a dwelling -- provide a periodic statement to the borrower for each billing cycle.
- Required Content: According to the statute, the statement may be provided electronically and must include:
  - the amount of the principal obligation,
  - the current interest rate in effect,
  - the date on which the interest rate may next reset,

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<sup>7</sup>The first round of testing took place in Towson, Maryland on February 1-2, 2012. The second round took place in Memphis, Tennessee on February 29 and March 1, 2012. The third round took place in the Los Angeles, California area on April 3-4, 2012. See Attachments B, C, and D for prototypes tested to date.

- the amount of any prepayment fee to be charged,
  - a description of any late payment fees,<sup>8</sup>
  - contact information for the borrower to obtain information about the mortgage,
  - contact information for housing counseling agencies or programs approved/certified by the Secretary of Housing and Urban Development (“HUD”) or a State housing finance authority, and
  - such other information as the CFPB may prescribe.
- Additional Content: The required content does not include the billing information servicers generally provide to borrowers but instead consists of general loan information and other information that may be helpful to troubled borrowers. The CFPB is considering proposing an integrated periodic statement that includes both types of information as well as how to dispute and resolve errors. The CFPB is considering proposing the following additional content in the periodic statement:
    - Loan account number and property address;
    - Servicer name and address;
    - Amount and due date of next payment;
    - Amount of, and date after which, any late fees will be assessed;
    - Loan maturity date;
    - Recent transaction activity, including itemization of fees and charges;
    - Breakdown of current, most recent, and year-to-date payments by principal, interest, escrow, fees, and partial payment;
    - The servicer’s policy with regard to application of any additional payment received from the borrower;
    - The servicer’s policy with regard to partial payments received from the borrower;
    - Amortization information for Payment Option loans; and
    - Delinquent borrower alerts, such as foreclosure warning, a summary of the delinquency history, and information about loss mitigation alternatives.

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<sup>8</sup>The CFPB understands “prepayment fee” to mean pre-payment penalty.

- Timing: In keeping with current industry practice, the CFPB is considering proposing that the servicer send the periodic statement no later than four days after the end of the late fee grace period.
- Scope:
  - Exemptions:
    - Coupon Book for Fixed Rate Residential Mortgages: The periodic statement requirement exempts fixed rate residential mortgage loans where the borrower is given a coupon book with substantially the same information as required by the periodic statement. The CFPB is considering proposing different methods of presenting the DFA required and additional content in light of the constraints inherent in the coupon book format, such as size and the inability to provide updated information for each billing cycle. The CFPB is considering seeking comment on (1) whether certain dynamic information (such as payments received, breakdown of payments, and results of late or delinquent payments) could be made available through a website or voice-response unit (or left off entirely in the case of certain information not statutorily mandated) and (2) the circumstances under which the exemption should cease to apply, such as when the borrower becomes delinquent.
    - Reverse Mortgages: The CFPB is considering exempting reverse mortgages from the periodic statement requirement. Reverse mortgages are unique and better off addressed separately at an appropriate time.
- Consumer Testing: The CFPB is testing a model periodic statement in the field. The first round of testing focused on a statement for borrowers current in their mortgage payments; the second and third rounds emphasize distressed borrowers and those with Payment Option loans.<sup>9</sup> See n.7 regarding dates and locations of consumer testing.
- Potential Impacts on Small Entities

The CFPB is not yet aware of any data or reports on how common it is for small servicers to provide borrowers with periodic statements. For servicers that do provide periodic statements, the CFPB does not yet have information on how much of the proposed content is already included in the statements. A question to the SERs asks about current practices in providing periodic statements and the content of those statements.

#### *Benefits*

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<sup>9</sup>See Attachment B-1 for the draft periodic statement tested in the first round. See Attachment B-2 for the draft periodic statement tested in the second round. See Attachment B-3 for a draft periodic statement tested in the third round.

- Providing the proposed content on a regular basis to both current and delinquent borrowers may reduce the frequency with which borrowers contact the servicer for information and reduce the time servicers spend answering borrower questions.

*Costs*

- The proposed periodic statement disclosure may require some servicers or their vendors to develop a new form or to reformat an existing form. These are one-time costs. The CFPB is mitigating the one-time costs by providing servicers with a tested form. A question to the SERs asks about the costs of developing a statement with the required content.
- Producing the proposed statement, which includes calculations specific to each loan, may require servicers or their vendors to acquire new or updated software, provide training to staff, use additional staff time, and incur paper, printing, and other production costs. Routine systems updates may mitigate the software costs since improved software would, in part, already be budgeted. The possibility of producing only electronic statements for certain borrowers, consistent with the E-SIGN Act, may mitigate the paper and printing costs. A question to the SERs asks about the one-time and ongoing costs of producing the proposed statement.
- The CFPB is considering the optimal form of record keeping for periodic statements and the financial information contained within them. In connection with another project focusing on integration of mortgage loan origination disclosures required under the Truth in Lending Act and Real Estate Settlement Procedures Act, the CFPB learned through another small business review panel that many participants retained PDFs or similar electronic archives of disclosures but did not maintain them in a machine readable form in which the information contained in the disclosures could be analyzed automatically. The participants believed that it might be expensive to change the record-keeping format. The CFPB believes that much or all of the financial data contained on a periodic statement is likely being maintained electronically by servicers as part of their ongoing accounting systems. A question to the SERs asks about existing record-keeping formats and the potential costs of different alternatives.
- Sending the proposed periodic statement disclosure may impose new mailing and other costs on servicers or vendors. The possibility of sending only electronic statements for certain borrowers may mitigate the mailing costs. A question to the SERs asks about the ongoing costs associated with sending the disclosure.
- The ongoing costs of the proposed periodic statement disclosure may be mitigated to some extent by the exemption for fixed rate residential mortgage loans where the borrower is given a coupon book with substantially the same information as required by the periodic statement. A question to the SERs asks about the provision of coupon books to borrowers.

## (2) ARM – Notice 6 Months Prior to Initial Interest Rate Reset

- DFA Section 1418 amends TILA by adding a new requirement that a creditor or servicer provide a notice regarding the initial interest rate reset or adjustment of a hybrid adjustable rate mortgage at the end of the introductory period either (a) between 6 and 7 months prior to such reset, or (b) at consummation of the mortgage if the first reset occurs during the first 6 months after consummation. The notice must be separate and distinct from all other correspondence. Additional discretionary authority in the statute permits the CFPB to require creditors or servicers to provide the hybrid ARM notice or other notice for adjustable rate mortgages that are not hybrid ARMs.
- Required Content: According to the statute, the notice must include:
  - Any index or formula used in adjusting or resetting the interest rate and a source of information about the index or formula;
  - An explanation of how the new rate and payment would be determined, including how the index may be adjusted, such as by the addition of a margin;
  - A good faith estimate, based on accepted industry standards, of the amount of the resulting monthly payment after the adjustment or reset and the assumptions on which the estimate is based;
  - A list of alternatives that the consumers may pursue, including refinancing, renegotiation of loan terms, payment forbearance, and pre-foreclosure sales,<sup>10</sup> and descriptions of actions the consumer must take to pursue these alternatives;
  - Contact information for HUD- or State housing agency- approved housing counselors or programs reasonably available; and
  - Contact information for the State housing finance authority for the State where the consumer resides.

Except for the contact information and list of alternatives, all of DFA 1418's required content is currently required by existing regulations.<sup>11</sup>

- Additional Content: The CFPB is considering proposing to include the following loan information in the disclosure: account number and property address; servicer name and

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<sup>10</sup>Based on results from consumer testing, the proposal under consideration would substitute “loan modification” for “renegotiation of loan terms.” The CFPB is also considering adding “deed in lieu” as an alternative, expressed simply as “transfer of ownership to the lender.”

<sup>11</sup> The first two disclosures under Section 1418's required content are the same as those required under Regulation Z 226.19(b) (now 1026.19(b)), which must be provided to consumers around the time of application. The third disclosure currently must be provided to consumers 25-120 days prior to the due date of any payment change caused by an interest rate adjustment. See Regulation Z 1026.20(c) (1), (2), and (3). (That same regulation requires a similar notice sent annually to consumers if no interest rate adjustment during that time period effected a change in payment.) Note that Regulation Z applies to all ARMs (not just hybrid ARMs).

address; key terms of the ARM such as length of the introductory period and when future interest rate adjustments will take place; and date of upcoming interest rate adjustment and due date of the first payment after the adjustment. The CFPB is also considering including, if applicable, the amount and expiration date of any pre-payment penalty, any interest rate or payment limits, and amortization information for negatively amortizing and Interest-Only loans. (Much of this additional content was proposed by the Federal Reserve Board in its 2009 proposed rule to amend Regulation Z's ARM reset notice.)

- Scope: The statute defines a “hybrid adjustable rate mortgage” as a consumer credit transaction secured by the consumer’s principal residence with a fixed interest rate for an introductory period that adjusts or resets to a variable interest rate after such period.
  - The CFPB understands the statutory definition of hybrid ARM to encompass the following loan products: 2/1, 3/1, 5/1, 7/1, and 10/1<sup>12</sup> (or any ARM product with an introductory period of longer duration than its ensuing periods of adjustment). This is consistent with how the banking industry refers to hybrid ARMs. The CFPB is considering proposing that these loan products receive the notice under DFA 1418.
  - The CFPB is considering proposing to use its discretionary authority to require this notice for ARMS that are not hybrid (1/1, 3/3, 5/5, etc.).<sup>13</sup> It is considering soliciting comments on whether this disclosure will be helpful to borrowers with these ARMs.
  - Regulation Z 1026.20(c) requires creditors to send disclosures for *all* ARMs prior to *each* interest rate adjustment that effects a change in payment. The CFPB is considering proposing changes to the timeframe and content of these current disclosures.<sup>14</sup> It is also considering proposing this disclosure as a notice separate from the periodic statement, but may propose allowing servicers to decide this issue. Note that the new rule would apply to servicers and assignees as well as creditors.
    - With regard to changing the timeframe, Regulation Z currently requires that notice be given 25 to 120 days prior to the date on which the adjusted payment is due and annually, without a change in payment. The CFPB is considering proposing that the revised notices under Regulation Z 1026.20(c) must be provided with every interest rate adjustment two to four months before payment at the new level is due (remaining annually, where there is no change in payment).<sup>15</sup> It is also considering soliciting

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<sup>12</sup>A 3/1 hybrid ARM, for example, maintains a fixed rate of interest for the three-year introductory period and then converts to an adjustable rate for successive one-year periods. Hybrid ARM includes the once-popular 2/28 and 3/27 mortgages, which often adjusts every six months after the introductory period.

<sup>13</sup>ARMs, unlike hybrid ARMs, *start* with an adjustable rate and that rate readjusts at even intervals.

<sup>14</sup>Authority for this may be found in DFA 1420 (periodic statement), allowing the CFPB to require periodic disclosure of “[s]uch other information as the Board may prescribe in regulations.” DFA §§ 1405, 1032 and TILA §105(a) may also provide bases for authority.

<sup>15</sup>Under this timeframe, similar to the Section 1418 notice, the servicer likely will have to provide an estimate of the

comments regarding the timing of the notice itself and in relation to the timing of the Section 1418 initial reset notice.

- The CFPB is considering proposing content for the revised 1026.20(c) notices that is identical to or that closely tracks the content it is considering proposing for the Dodd-Frank Act ARM initial reset notices (which, in turn, closely tracks the content of the Board's 2009 proposed rule). The CFPB is considering proposing that this recurring notice not include the contact information for counselors and the state housing finance authority since each periodic statement will include the counselor information. The CFPB is also considering soliciting comments on whether to include the Section 1418 list of alternatives. Finally, the CFPB is considering proposing to eliminate the 1026.20(c) notice for initial resets of any ARM because borrowers will receive the earlier Section 1418 notice for those resets.
- Consumer Testing: In order to assure the effectiveness of the DFA 1418 disclosure, the CFPB is conducting three rounds of consumer testing prior to issuing its proposal. With its testing contractor, the CFPB is working to determine the optimal content and format of information in the notice. The CFPB does not anticipate issuing a highly prescriptive format, but to require the content and the grouping of certain items together to maximize clarity.<sup>16</sup> See n.7 regarding dates and locations of consumer testing.
- Potential Impacts on Small Entities

The CFPB is not yet aware of any data or reports that describe when small servicers generally provide the initial reset ARM disclosure or how much of the proposed content is already included in the disclosure. A question to the SERs asks about current practices in providing initial reset ARM disclosures and the content of those disclosures.

*Benefits*

- Servicers benefit when distressed borrowers contact them well in advance of a possible jump in interest rate and payment; this allows them more time to work together constructively. Borrowers with correct information about loss mitigation alternatives and the availability of housing counseling may be more likely to work quickly and constructively with their servicers.
- Better disclosures about the new rate and payment may benefit servicers by reducing the need for borrowers to contact the servicer.

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new interest rate and payment, rather than exact figures. The consumer will be provided with the exact figures in the first periodic statement sent out after the interest rate adjustment goes into effect.

<sup>16</sup>See Attachment C-1 for the model ARM reset notice tested in Round 1 of testing. See Attachment C-2 for the model ARM reset notice tested in Round 2 of testing. See Attachment C-3 for the model ARM reset notice tested in Round 3 of testing.

- The CFPB may modify the content and timing of the Regulation Z 1026.20(c) notice, which is given prior to each interest rate adjustment that effects a change in payment. The proposed notice would provide more information to the borrower. The proposed changes in timeframe, from 25 to 120 days to two to four months before payment at a new level is due, would give borrowers more time to make any necessary adjustments in household budgeting. Servicers benefit to the extent that these households are less likely to need forbearance plans or other loss mitigation work.

*Costs*

- The proposed initial reset ARM disclosure may require some servicers or their vendors to develop a new form or to reformat an existing form. These are one-time costs. The CFPB is mitigating the one-time costs by providing servicers with a tested model form. A question to the SERs asks about the costs of developing a form with the required content.
- Producing the proposed initial reset ARM disclosure for a particular borrower, which includes calculations specific to each loan, may require servicers or their vendors to acquire new or updated software, provide training to staff, allocate additional staff time, and incur other costs. Routine systems updates may mitigate the software costs since improved software would, in part, already be budgeted. A question to the SERs asks about the one-time and ongoing costs of producing the proposed form.
- Sending the proposed initial reset ARM disclosure may impose new mailing and other costs on servicers or vendors. The CFPB may mitigate these costs by no longer requiring the Regulation Z 1026.20(c) notice for the initial reset. A question to the SERs asks about the ongoing costs associated with sending the proposed initial reset ARM disclosure.
- The proposed modifications to the Regulation Z 1026.20(c) notice raise similar issues to those stated above. A question to the SERs asks about the one-time costs of developing a new 1026.20(c) form and the ongoing costs of providing any new information in the form.

Alternatives Considered:

The CFPB has also considered proposing limiting the initial reset notice to hybrid ARMs -- and not requiring it for all ARMs. However, the Bureau opted for its currently considered proposal because all ARMs, not just hybrid ARMs, are subject to the same "payment shock" after the introductory period expires, and because Congress expressly authorized the CFPB to extend the Section 1418 (or other) notice to ARMs that are not hybrid.

**(3) Force-Placed Insurance**

- DFA Section 1463 amends RESPA to prohibit a servicer of a federally related mortgage from obtaining force-placed hazard insurance unless there is a reasonable basis to believe the borrower has failed to comply with the loan contract's requirements to maintain property insurance. The CFPB is considering proposing examples to illustrate reasonable bases.
- Required Processes under DFA: The statute sets forth a mandatory process servicers must follow before imposing any charge on a borrower for force-placed insurance and for terminating force-placed insurance upon receipt from the borrower of evidence confirming borrower-purchased hazard insurance coverage:
  - Before charging a borrower for force-placed insurance,<sup>17</sup> a servicer must:
    - Send, via first-class mail, up to two notices to the borrower:
      - If the servicer has not received from the borrower any demonstration of insurance coverage 30 days after sending the first notice, the servicer must mail a second notice to the borrower.
      - No charge may be imposed until 15 days after the servicer has sent the second notice.
    - Accept any reasonable form of written confirmation from the borrower, including the borrower's existing insurance policy number along with the identity of, and contact information for, the insurance company or agency – or any other method required by the CFPB. The CFPB is considering proposing examples to illustrate what constitutes a sufficient demonstration of coverage by the consumer.
  - Termination of force-placed insurance and refunding of costs. Within 15 days of a servicer's receipt of confirmation of a borrower's existing coverage, whenever that occurs, the servicer must terminate the force-placed insurance and refund any premiums applicable to any period during which the borrower had coverage. The CFPB is considering a proposal that would track the statute with regard to termination and refunds.
- Required Content under DFA: The two notices must contain the following information:
  - A reminder of the borrower's contractual obligation to maintain hazard insurance on the secured property,
  - A statement that the servicer does not have evidence of borrower's existing coverage,

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<sup>17</sup>Note that the servicer may force place insurance during any actual or apparent lapse in coverage; it may not charge the borrower for this service until after the 45-day waiting period and only for any period of actual lapse in the borrower's hazard insurance coverage.

- A clear and conspicuous statement of how the borrower may demonstrate existing coverage, and
- A statement that the servicer may obtain coverage at the borrower's expense if the borrower fails to provide such demonstration to the servicer in a timely manner.
- Additional Content: The CFPB is considering proposing the following additional information to alert consumers to the possible disadvantages of force-placed insurance and to give a general timeframe for when such policies may be imposed.
  - A good faith estimate of the force-placed insurance premium that the borrower may be charged,
  - A statement that force-placed insurance may not provide as much coverage and may cost significantly more than a hazard insurance policy purchased by the borrower, and
  - A statement of whether the servicer has placed or plans on force placing insurance.
- Force-Placed Insurance Notice Form: The CFPB is conducting three rounds of consumer testing prior to issuing its proposal. With its testing contractor, the CFPB will determine the optimal content and presentation of information in the notices. The CFPB anticipates issuing two sets of model forms.<sup>18</sup> The first set will reflect the case where the servicer already has obtained force-placed insurance and the second set will reflect the case where the servicer plans on force-placing insurance.
- Charges Related to Force-Placed Insurance: The statute provides that all charges -- apart from charges subject to State regulation as the business of insurance -- related to force-placed insurance imposed on the consumer by or through the servicer must be bona fide and reasonable. Through outreach, servicers have informed the Bureau that they typically do not charge consumers additional fees other than the force-placed insurance premium. The proposal would generally track the statute and provide that charges covered by the statute, to be bona fide and reasonable, must be for actual services rendered and not include any unearned fees to the servicer or any charges prohibited by applicable state law as rebates or inducements.
- Borrower's Pre-Existing Insurance Policy: Force-placed insurance is expensive relative to privately-obtained property insurance. The CFPB is considering clarifying that the term "force-placed insurance," and thus the rule, does not apply to servicers who, with express consent from the borrower -- including express consent to any fees or charges -- re-purchase a borrower's pre-existing policy.
- Payment of Insurance from Escrow: The CFPB is considering amending Regulation X, Section 1024.17(k)(1) and (2) by proposing that the servicer must make timely

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<sup>18</sup>See Attachments D-1 and D-2(a) and (b) for prototypes tested to date.

disbursements from escrow funds to pay for a borrower's insurance premium even if the borrower is delinquent, absent cancellation of the policy by the borrower or the insurance company (for any reason other than non-payment of premiums). The servicer's continued payment through an escrow account for the borrower's existing policy would not constitute force-placed insurance. A question to the SERs asks about the impact that this amendment to the escrow disbursement rules would have on them.

- Amount of Coverage: The statute does not require that force-placed insurance cover in excess of the investor's collateral in the property; the CFPB is considering proposing that the servicer must inform the borrower that the force-placed coverage may not be as comprehensive as that provided under the consumer's own hazard insurance policy.
- Potential Impacts on Small Entities

*Benefits*

- The proposed force-placed insurance disclosures will make borrowers more aware of the pending placement of force-placed insurance so that they can better manage their obligation to maintain continuous coverage with hazard insurance. The disclosures may benefit servicers by reducing the frequency with which borrowers contact servicers to ask questions or to dispute or resolve fees and charges that could have been avoided if the borrower were more aware of the pending placement of force-placed insurance.
- Comprehensive standards for managing force-placed insurance provide certainty to servicers with regard to their legal obligations.

*Costs*

- Based on discussions with industry, the CFPB understands that providers of force-placed insurance may not charge servicers, including small servicers, for providing disclosures to borrowers, tracking hazard insurance coverage, and placing the insurance. If this is correct, then force-placed insurance providers may also absorb the costs associated with the proposed disclosures and they will not impose any one-time or ongoing costs on small servicers. Questions to the SERs ask about vendor charges associated with force-placed insurance and the new costs they expect to incur to ensure that a force placed insurance disclosure with all of the proposed information is provided to borrowers.
- The CFPB understands that providers of force-placed insurance generally refund force-placed insurance premiums paid by the borrower during periods in which the borrower's insurance coverage and the force-placed insurance coverage are both in effect. If this is correct, then the proposed provision requiring these refunds will not impose any one-time or ongoing costs on servicers. If this is not correct, then servicers may incur costs from the proposed provision, although the costs may be mitigated by the proposed disclosures notifying borrowers that the servicer needs written confirmation that coverage is in place. A question to the SERs asks about current practices for refunding force-placed insurance premiums.

- The amendment to the escrow disbursement rules, while potentially limiting the frequency with which servicers force place insurance, would require servicers to advance funds for maintaining pre-existing insurance for longer than the 30 days currently required by Regulation X. A question to the SERs asks about the impact that this change would have on them.

## B. PROMPT CREDITING AND REQUESTS FOR PAYOFF AMOUNTS

- Under DFA Section 1464, servicers must credit consumer payments as of the date of receipt in connection with a consumer credit transaction secured by the consumer's principal dwelling, except if the delay does not result in any charge to the consumer or in the reporting of negative information to a consumer reporting agency. The servicer may, however, specify in writing requirements that the consumer must follow to make conforming payments. If non-conforming payments are accepted, the service must credit the payment five days after receipt.
- The prompt crediting provision generally codifies the current Regulation Z. The proposal would provide examples of the types of conforming payment requirements that are reasonable.
- Partial Payments: For payments received from borrowers that fall short of a complete payment, the CFPB is considering proposing retention of the current rule in Regulation Z requiring partial payments be treated in accordance with the legal obligation as determined by applicable state or other law. As such, servicers generally would be allowed to hold partial payments in a non-interest bearing suspense account until an amount equal to a full payment is received, in accordance with the contract or applicable state law. Servicers also would have the option of returning the non-conforming payment to the borrower. Additionally, the CFPB is considering proposing a new requirement that as soon as the amount in the suspense account equals a full contractual payment, the servicer must credit that payment to the earliest delinquent payment. A full contractual payment includes principal, interest, taxes, and insurance. The CFPB would seek comment on whether it should include other amounts, such as late fees and other servicer-imposed fees, in the full contractual payment. This proposal under consideration would have the effect of rolling forward the borrower's date of delinquency by 30 days.
- Payoff Request: The statute requires a creditor or servicer of a home loan to send an accurate payoff balance within a reasonable time, but no more than seven business days, after receipt of a written request for such balance from or on behalf of the borrower. Regulation Z currently addresses payoff amount requests, but creates a five business day safe harbor. The proposal generally would follow the statute and require an accurate payoff balance to be provided no later than seven days (excluding holidays and weekends) after receipt of a written request from the borrower. The CFPB is considering proposing that the term "home loan" be construed broadly but that it exclude reverse mortgages. The exclusion for reverse mortgages would be based on CFPB's belief that

the unique features of reverse mortgages should be addressed together in a comprehensive rule focused exclusively on that product.

- Potential Impact on Small Entities

*Costs*

- The requirements to credit a payment once the suspense account contains the required amount and to apply the funds to the first delinquency may impose a cost on servicers who have different crediting practices. These servicers may lose some fee income and some float income, and they may need new or updated software to meet the new requirements. A question to the SERs asks about the extent to which servicers currently comply with the prompt crediting proposal and the cost of coming into compliance for servicers with different crediting practices.

Alternatives Considered:

The CFPB also has considered proposing an alternative approach that would require creditors and servicers to credit all partial payments, or those partial payments above a certain minimum threshold, to a borrower's account as they are received or else return the partial payment to the borrower. The CFPB identified certain possible drawbacks to this alternative approach including increased accounting costs for the servicer and, for the consumer, prolonging the length of delinquency and increasing the amount of the periodic payment.

## C. ERROR RESOLUTION AND RESPONSE TO INQUIRIES

- Current Error Resolution Procedures: Section 6 of RESPA and Regulation X contain procedures for handling alleged errors and inquiries. Section 6 of RESPA provides that when a servicer of a federally related mortgage loan receives a “qualified written request” from a borrower for information relating to the servicing of the borrower’s loan, the servicer must respond within certain timeframes. Regulation X limits application of the qualified written request provisions to “mortgage servicing loans,” which includes only first-lien, closed-end mortgages.
- DFA Amendments to Error Resolution and Inquiry Procedures:
  - Statutory Prohibitions: DFA Section 1463 amends Section 6 of RESPA by adopting a number of servicer prohibitions with respect to handling alleged errors and inquiries, including revising the timeframe to respond to qualified written requests. Among other things, DFA Section 1463 prohibits a servicer of a federally related mortgage from:
    - Charging fees for responding to valid qualified written requests, as defined by the CFPB;
    - Failing to respond within ten business days to a borrower’s request for the identity and contact information for the owner or assignee of the loan; and

- Failing to take timely action to respond to a borrower’s request to correct errors relating to
  - allocation of payments,
  - final balances for purposes of paying off the loan,
  - avoiding foreclosure, or
  - other standard servicer’s duties.
- Other Requirements: Section 1463 contains a provision that allows the CFPB to require servicers to comply with any other obligation it finds appropriate to carry out the consumer protection purposes of RESPA.
- Tracking Statutory Language: The CFPB is considering proposing tracking the statutory language with regard to:
  - Applying the error resolution and inquiry response procedures to “federally related mortgages,” not just “mortgage servicing loans,” as currently provided in Regulation X with regard to qualified written requests. Thus, residential mortgage loans, including first and second liens, would be subject to this rule.
  - Prohibiting servicers from charging fees for responding to valid qualified written requests.
  - Requiring servicers to respond within ten days (excluding weekends and holidays)<sup>19</sup> to a borrower’s request for the identity and contact information for the owner or assignee of the loan. The CFPB is also considering proposing that contact information include an address and a telephone number.
- Defining “Error”:
  - The CFPB is considering proposing a comprehensive set of requirements for investigating and correcting errors and for responding to borrower inquiries. This approach would incorporate, but not be limited to, RESPA’s use of the qualified written request to address “servicing” issues, as defined by RESPA. Specifically, servicers would be required to correct errors relating to allocation of payments, final balances for purposes of paying off the loan, avoiding foreclosures, or other standard servicer’s duties. Servicers also would be required to respond to inquiries about these topics.
  - In order to cover each of the areas for which servicers must correct errors, the CFPB is considering proposing to define “errors” with the following exclusive list:

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<sup>19</sup>Hereinafter, “business days” means excluding weekend and holidays.

- Computation errors (including with respect to calculating the interest rate and escrow account balance),
  - An incorrect allocation of payments,
  - The failure to credit payments in a timely manner,
  - The failure to make timely payments of taxes and insurance from an escrow account,
  - The refusal to accept a conforming payment,
  - The failure to provide an accurate final payoff amount,
  - The failure to provide accurate disclosures to borrowers,
  - The failure to provide accurate information to borrowers about home retention or loss mitigation options and the foreclosure process,
  - The failure to suspend foreclosure proceedings while the borrower is performing as agreed under a loss mitigation option or other alternative to foreclosure or otherwise meeting the borrower's obligations, and
  - The failure to provide the borrower with relevant document in response to an inquiry or following an investigation of an alleged error.
- The CFPB is considering seeking comments on whether additional or different conduct should be treated as errors. It is also considering seeking comments on whether it should propose a catch-all category for errors related to the four areas described in the statute but that may not be captured by the list included in the proposed rule.
- Error Resolution and Responding to Inquiries: The CFPB is considering proposing a timeframe for error resolution and responding to inquiries that generally tracks the timeframe for qualified written requests, as amended by the DFA, subject to certain explicit exceptions. *See Attachment E for a detailed description of these procedures.* Briefly, under the error resolution procedures the CFPB is considering proposing (inquiry procedures are similar):
    - The borrower
      - can assert an error in writing (including electronically if the servicer provides a web site or similar means of submission specifically for handling complaints) or orally (by telephone); and

- must provide information that enables servicers to identify the name and account, type of error the borrower believes has occurred, and when the servicer believes that error occurred.
- The servicer
  - within five business days, must acknowledge receipt of the complaint in writing, whether a qualified written request or not -- unless resolved earlier and the servicer already sent written notification of resolution;
  - within 30 business days after a reasonable investigation, must provide the borrower with written notification of (1) correction of that or another error or (2) the servicer's conclusion that no error occurred;
  - must respond within shorter timeframes for errors relating to providing an accurate final payoff statement and errors related to suspending foreclosure proceedings while the borrower is performing under a trial or permanent modification;
  - may request supporting documentation from the borrower, but must investigate the error with or without such documentation;
  - within the 30 business days, may extend the investigation time period by 15 business days -- with notification and explanation to the borrower; and
  - within 15 business days of a borrower's request after the conclusion of an error investigation, must provide without charge the relevant documents used in that investigation.
- Exemptions:
  - HELOCs: The CFPB is considering proposing to exclude open-end lines of credit, such as HELOCs, from the error resolution and qualified written request provisions because these products are subject to distinct error resolution procedures under TILA and Regulation Z.
  - Routine Inquiries: The CFPB is considering proposing to exclude routine inquiries about the borrower's account, request for information for taxes or other recordkeeping purposes, and requests for duplicate copies of documents from the term "error."
- Potential Impact on Small Entities

*Benefits*

  - The rule the CFPB is considering clarifies servicer duties for handling alleged errors and inquiries relating to the defined topics.

- By providing an exclusive list of errors that trigger the error resolution requirements, servicers can more effectively control the costs of investigating alleged errors and better allocate firm resources.

*Costs*

- The proposed error resolution and inquiry provisions require servicers to respond (a) to inquiries and requests that are not “qualified written requests,” (b) regarding issues beyond those defined as “servicing” by RESPA, and (c) for loans that are not first-lien, closed-end mortgages. Small servicers may already comply with the proposed provisions, perhaps as part of good customer service. Servicers that are not in compliance may need new or updated software and hardware and they may need to devote additional staff time to error resolution and provide additional training to staff.

The CFPB does not know the extent to which small servicers are already in compliance with the proposed provisions or the cost of coming into compliance. A question for the SERs asks about how servicers currently address the listed errors and whether the response depends on how the borrower communicates with the servicer and the type of loan the borrower has. Another question for the SERs asks about the actions required to address the listed errors within the proposed time frames and the one-time and ongoing costs of those actions.

Alternatives Considered:

The CFPB also has considered proposing an open-ended enumeration of errors related to the four areas identified in the statute, as opposed to creating an exclusive list of what constitutes an error. However, this alternative had several drawbacks. Without a clear definition of what constitutes an error, uncertain compliance standards may lead servicers to treat all claims they receive as errors, thereby limiting the time and attention spent investigating errors the CFPB has identified as key. Clear and definitive compliance standards reduce the costs and burdens for all servicers, but especially small servicers.

**D. REASONABLE INFORMATION MANAGEMENT POLICIES AND PROCEDURES.**

DFA Section 1463 requires servicers to comply with any obligation the CFPB finds appropriate to carry out the consumer protection purposes of the Act. The CFPB is considering proposing a rule to address wide-spread problems reported across the mortgage servicing industry with regard to management of borrower documents and information.<sup>20</sup> Reasonable policies and procedures for managing borrower documents and information would facilitate development of systems and operational processes for tracking and storing borrower documents and information with respect to borrower communications, error resolution, information requests, loss mitigation (including, without limitation, loan modification actions), foreclosure, and other servicer operations. Further, such reasonable policies and procedures would assure that servicers have access to records noting key actions taken with respect to borrower communications, error

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<sup>20</sup>See pp. 1-2 above.

resolution, information requests, loss mitigation (including, without limitation, loan modification actions), foreclosure, borrower bankruptcy actions, and other relevant actions with respect to a borrower's account.

Under DFA Section 1463, the CFPB is considering proposing that servicers establish reasonable policies and procedures that:

- Provide accurate and timely disclosures and other information to borrowers;
- Minimize errors and facilitating prompt error correction;
- Maintain records of borrower contact, with a possible exception for some small servicers;
- Facilitate loss mitigation by
  - accepting, organizing, and managing documents and information submitted by or about borrowers in connection with loss mitigation requests,
  - ensuring reasonable and timely access to such documents and information by all appropriate loss mitigation personnel, and
  - identifying additional documents and information the borrower must provide to be considered for loss mitigation options and notifying the borrower promptly of such deficiencies.

The CFPB further envisions a servicing industry capable of achieving mortgage loan servicing transfers without negatively impacting loss mitigation communications with borrowers. Through reasonable policies and procedures, servicers should be capable of transferring all relevant and accurate documents and information to (1) a subsequent servicer when servicing rights are transferred in a form and manner that enables the subsequent servicer to comply with the requirements of this subpart and (2) a forum addressing foreclosure. Such documents and information would include, among other things, documents and information that reflect communications with borrowers, documents and information memorializing actions to correct account errors, documents and information that were received from borrowers with respect to consideration for loss mitigation options, and documents and information that set forth trial or permanent modification agreements.

The CFPB is considering proposing that the reasonableness of a servicer's information management policies and procedures would depend upon the size of the servicer and the nature and scope of its activities. Additionally, the CFPB is considering proposing to explain that a violation would occur if a servicer: (a) fails to establish reasonable information management policies and procedures or (b) demonstrates a pattern or practice of failing to comply with its procedures. However, an occasional failure to follow established policies and procedures would not constitute a violation of this part of the regulation. Note: potential civil liability arises from violation of the regulation.

- Potential Impacts on Small Entities

*Benefits*

- The proposed information management policies and procedures focus on desired outcomes and avoid prescription. A servicer's policies and procedures are reasonable if they facilitate important servicer duties like error correction and loss mitigation.
- The proposed reasonable information management policies and procedures may benefit borrowers and servicers by clarifying the obligations on servicers for managing borrower information. Clearer obligations may protect servicers from legal liability.
- In themselves, improved information management policies and procedures may reduce servicer time spent managing consumer information and documents and responding to consumer information requests and queries; enhance consumers' ability to understand and manage their mortgages; and reduce preventable delinquency and foreclosure.

*Costs*

- Servicers that maintain reasonable information management policies and procedures may incur a cost to review and document their policies and procedures, obtain legal advice, train their staff to follow the policies and procedures, and monitor staff adherence to the policies and procedures.
- The proposal mitigates all of these costs for small servicers through the provision that the "reasonableness" of a servicer's policies and procedures would depend upon the size of the servicer and the nature and scope of its activities.
- Depository institutions already are subject to interagency guidelines relating to safeguarding the institution's safety and soundness.<sup>21</sup> These guidelines provide that depository institutions should establish and maintain loan documentation practices that, among other things, ensure that any claim against a borrower is legally enforceable and that demonstrate appropriate administration and monitoring of a loan. These existing practices focus on desired outcomes that are related to those that the proposal specifies for mortgage servicing, and so these existing practices may facilitate reasonable information management for purposes of mortgage servicing. The proposed policies and procedures may therefore not impose a significant additional burden on depository institutions that are also small servicers.
- A question to the SERs asks them to consider whether the way they currently manage information allows them to meet the duties stated in the policies and procedures. Another question asks about the costs of changing how they manage information in order to meet those duties.

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<sup>21</sup>See Inter agency Guidelines Establishing Standards for Safety and Soundness, 60 Fed. Reg. 35674 (July 10, 1995).

Alternatives Considered:

The CFPB also has considered proposing to prescribe specifically how servicers should manage borrower information. The CFPB believes, however, that articulating the objectives and allowing the servicer to choose the policies and procedures that meet the objective may better serve consumers.

**E. EARLY INTERVENTION FOR TROUBLED OR DELINQUENT BORROWERS.**

Under DFA Section 1463, the CFPB is considering proposing early intervention procedures for troubled and delinquent borrowers to address mortgage servicing problems experienced by such borrowers.<sup>22</sup> For this purpose, the CFPB is considering proposing a rule requiring servicers to make good faith efforts to contact delinquent borrowers no later than 45 days after the onset of delinquency and to respond promptly to troubled borrowers who contact their servicers.<sup>23</sup>

The proposal the CFPB is considering would require servicers to provide delinquent borrowers with written information, no later than 45 days after the date of delinquency, about (1) options to help avoid foreclosures, such as loss mitigation programs available to them and how to access a housing counselor, and (2) the foreclosure process, including:

- A brief description of any loss mitigation programs available to the borrower;
- A brief outline of the requirements for qualifying for any available loss mitigation programs, including documents and other information the borrower must provide, and any timelines that apply;
- A brief explanation of the foreclosure process and possible foreclosure timelines; and
- Contact information for housing counselors who may be able to assist the borrower.

The Bureau is also considering proposing to require that servicers provide this written information to any borrower who contacts the servicer about having or expecting to have difficulty making payments within five days of the borrower making such contact.

The CFPB is considering proposing an exemption from the written disclosure requirements for small servicers for loans they hold in portfolio if they make good faith efforts to contact borrowers no later than 45 days after they first become delinquent.

- Potential Impacts on Small Entities

*Benefits*

- The proposed early intervention procedure may benefit servicers who do not

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<sup>22</sup>See pp. 1-2 above.

<sup>23</sup>The CFPB is considering permitting servicers, at their option, to initiate contact by telephone, mail, or other means generally used by the servicer to communicate with borrowers.

already perform the specified activities by improving the information they have about troubled borrowers, reducing servicer costs associated with loss mitigation, and reducing servicer costs associated with preventable foreclosure.

*Costs*

- Servicers generally make good faith efforts to contact delinquent borrowers, but servicers that do so by telephone may incur one-time and ongoing costs associated with providing written information to such borrowers. Questions to the SERs ask about the timing and methods of their current efforts to contact delinquent borrowers and the costs of any changes they would need to make to comply with the proposal.

## F. CONTINUITY OF CONTACT

Also under Section 1463, the CFPB is considering proposing to require servicers to provide delinquent and troubled borrowers with specific servicer points of contact to address wide-spread problems reported with regard to inconsistent and faulty servicer contact with borrowers.<sup>24</sup> The proposed rule under consideration would require servicers to provide all borrowers who become 45 days delinquent or who request assistance in avoiding delinquency with direct and on-going access to a staff of the servicer's customer service employees dedicated to serving troubled or delinquent borrowers. The proposal would require that these employees have ready access to:

- a complete record of the borrower's payment history,
- a complete record of previous communications between the servicer and the borrower or any authorized third parties from the earlier of the date of delinquency or the date when the borrower first requested assistance,
- all borrower-submitted documentation,
- underwriters with the ability to evaluate the borrower for loss mitigation options and the authority to approve or recommend approval of loss mitigation options, and
- information on the status of any on-going or pending foreclosure actions.

The CFPB is considering proposing that a servicer does not violate the rule if ready access is temporarily unavailable as a result of computer systems issues, weather emergencies and similar force majeure events, or if records have been received too recently to be readily accessible to the customer service employees.

If the CFPB finds that certain classifications of small servicers already maintain consistent, albeit less formal, contact with their financially challenged clients, the CFPB may consider proposing adjustments to this rule for such servicers.

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<sup>24</sup>See pp. 1-2 above.

- Potential Impact on Small Entities

*Benefits*

- The provision for streamlined access to underwriters for assessment for loss mitigation may reduce preventable delinquency and foreclosure and servicer costs associated with these activities.

*Costs*

- Servicers may incur additional information management costs associated with accessing the borrower's payment history and communications between the servicer and borrower. A question to the SERs asks about these additional information management costs.
- Servicers may need to devote additional staff time to communicating with borrowers and provide additional training to staff in accessing and using borrower information. A question to the SERs asks about these additional staffing and training costs.

#### **IV. OTHER FEDERAL RULES**

- The Dodd-Frank Act codified certain requirements contained in existing regulations and in some cases imposed new requirements that expand or vary the scope of existing regulations. As discussed above, the CFPB is working to eliminate conflicts and to harmonize the earlier rules with the new statutory requirements.
- As discussed above, the content of certain current Regulation Z ARM disclosures issued before, around the time of, or after consummation of the mortgage replicate the content of the new DFA ARM notice provided to consumers six to seven months prior to the initial reset of their interest rates. The varied timing of these Regulation Z notices evidences their distinct purposes, despite any replication of content. Moreover, this reuse of the same content may reduce the burden on servicers since it reduces the need for the production of new materials and information. Also, the content of the DFA notice provided six to seven months prior to the initial reset of the ARM's interest rate that the CFPB is considering proposing will be the same or similar to the Regulation Z 1026.20(c) notice sent closer to the date of the reset or adjustment.
- As discussed above, Regulation Z contains a prompt crediting provision generally codified by DFA's prompt crediting provision.
- Regulation Z addresses the issue of partial payments. As discussed above, the Bureau is considering following the current rule in Regulation Z and permitting partial payments to be treated in accordance with the legal obligation as determined by applicable state or other law.
- As discussed above, Regulation Z currently addresses payoff amount requests, but creates a safe harbor of five business days. Additionally, the current regulation applies to loans secured by a consumer's principal dwelling. The proposal would follow the DFA and

require an accurate payoff balance to be provided no later than seven business days (excluding weekends and holidays) after the receipt of a written request from the borrower. The proposal would also construe the term “home loan” broadly and seek comments on whether certain types of loans, such as reverse mortgages, should be excluded from coverage.

- As discussed above, Regulation Z rules governing open-ended credit may provide the basis for exemption of HELOCs from rules that the CFPB is considering proposing. Specifically, the CFPB is considering exempting HELOCs from the error resolution rule, as TILA and Regulation Z provides error resolution procedures for these loan products.
- As discussed above, RESPA’s procedures for qualified written requests overlap with DFA’s RESPA amendment providing additional procedures for resolving errors and responding to inquiries. The CFPB is considering proposing broader, more consumer-friendly procedures that cover wider topics than the current qualified written request, which it believes will have substantial benefit to borrowers.
- The CFPB is not aware of any other federal regulations that duplicate, overlap, or conflict with the proposals under consideration.

## **V. POTENTIAL IMPACT ON COST OF CREDIT TO SMALL ENTITIES**

- Section 603(d) of the Regulatory Flexibility Act requires the CFPB to consult with small entities regarding the potential impact of the proposals under consideration on the cost of credit for small entities and related matters.<sup>25</sup>
- At this time, there is no evidence that the proposals under consideration would result in an increase in the cost of credit for small entities. The proposals under consideration would apply only to mortgage loans obtained by consumers primarily for personal, family, or household purposes. They would not apply to loans obtained primarily for business purposes.
- The CFPB, however, will seek the advice and recommendations of SER participants during the SBREFA outreach session regarding this issue.

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<sup>25</sup> See 5 U.S.C. § 603(d).

**ATTACHMENT A**

**Dodd-Frank Wall Street Reform and Consumer Protection Act (“DFA”)**  
**(Pub. L. 111-203, approved July 21, 2010)**

**DFA EXCERPTS ON MORTGAGE SERVICING**

**Truth in Lending Act (“TILA”) (15 U.S.C. 1601 *et seq.*) Amendments**

• **DFA Section 1418: ARM Notice Prior to Initial Reset**

(a) Hybrid adjustable rate mortgages defined

For purposes of this section, the term “hybrid adjustable rate mortgage” means a consumer credit transaction secured by the consumer's principal residence with a fixed interest rate for an introductory period that adjusts or resets to a variable interest rate after such period.

(b) Notice of reset and alternatives

During the 1-month period that ends 6 months before the date on which the interest rate in effect during the introductory period of a hybrid adjustable rate mortgage adjusts or resets to a variable interest rate or, in the case of such an adjustment or resetting that occurs within the first 6 months after consummation of such loan, at consummation, the creditor or servicer of such loan shall provide a written notice, separate and distinct from all other correspondence to the consumer, that includes the following:

- (1) Any index or formula used in making adjustments to or resetting the interest rate and a source of information about the index or formula.
- (2) An explanation of how the new interest rate and payment would be determined, including an explanation of how the index was adjusted, such as by the addition of a margin.
- (3) A good faith estimate, based on accepted industry standards, of the creditor or servicer of the amount of the monthly payment that will apply after the date of the adjustment or reset, and the assumptions on which this estimate is based.
- (4) A list of alternatives consumers may pursue before the date of adjustment or reset, and descriptions of the actions consumers must take to pursue these alternatives, including--
  - (A) refinancing;
  - (B) renegotiation of loan terms;
  - (C) payment forbearances; and
  - (D) pre-foreclosure sales.
- (5) The names, addresses, telephone numbers, and Internet addresses of counseling agencies or programs reasonably available to the consumer that have been certified or approved and made publicly available by

the Secretary of Housing and Urban Development or a State housing finance authority (as defined in section 1301 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989).

(6) The address, telephone number, and Internet address for the State housing finance authority (as so defined) for the State in which the consumer resides.

(c) Savings clause

The Board may require the notice in paragraph (b) or other notice consistent with this Act for adjustable rate mortgage loans that are not hybrid adjustable rate mortgage loans.

- **DFA Section 1420: Periodic Statement**

(f) Periodic statements for residential mortgage loans

(1) In general

The creditor, assignee, or servicer with respect to any residential mortgage loan shall transmit to the obligor, for each billing cycle, a statement setting forth each of the following items, to the extent applicable, in a conspicuous and prominent manner:

(A) The amount of the principal obligation under the mortgage.

(B) The current interest rate in effect for the loan.

(C) The date on which the interest rate may next reset or adjust.

(D) The amount of any prepayment fee to be charged, if any.

(E) A description of any late payment fees.

(F) A telephone number and electronic mail address that may be used by the obligor to obtain information regarding the mortgage.

(G) The names, addresses, telephone numbers, and Internet addresses of counseling agencies or programs reasonably available to the consumer that have been certified or approved and made publicly available by the Secretary of Housing and Urban Development or a State housing finance authority (as defined in section 1301 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989).

(H) Such other information as the Board may prescribe in regulations.

(2) Development and use of standard form

The Board shall develop and prescribe a standard form for the disclosure required under this subsection, taking into account that the statements required may be transmitted in writing or electronically.

(3) Exception

Paragraph (1) shall not apply to any fixed rate residential mortgage loan where the creditor, assignee, or servicer provides the obligor with a coupon book that provides the obligor with substantially the same information as required in paragraph (1).

- **DFA Section 1464: Prompt Crediting**

(a) In general

In connection with a consumer credit transaction secured by a consumer's principal dwelling, no servicer shall fail to credit a payment to the consumer's loan account as of the date of receipt, except when a delay in crediting does not result in any charge to the consumer or in the reporting of negative information to a consumer reporting agency, except as required in subsection (b).

(b) Exception

If a servicer specifies in writing requirements for the consumer to follow in making payments, but accepts a payment that does not conform to the requirements, the servicer shall credit the payment as of 5 days after receipt.

- **DFA Section 1464: Requests for Payoff Amounts**

A creditor or servicer of a home loan shall send an accurate payoff balance within a reasonable time, but in no case more than 7 business days, after the receipt of a written request for such balance from or on behalf of the borrower.

**Real Estate Settlement Procedures Act (“RESPA”) (12 U.S.C. 2601-1617) Amendments**

- **Section 1463: Force-Placed Insurance Notices, Procedures for Error Resolution and Inquiries, and Catch-All Provision.**

(k) Servicer prohibitions

1) In general

A servicer of a federally related mortgage shall not--

- (A) obtain force-placed hazard insurance unless there is a reasonable basis to believe the borrower has failed to comply with the loan contract's requirements to maintain property insurance;
- (B) charge fees for responding to valid qualified written requests (as defined in regulations which the Bureau of Consumer Financial Protection shall prescribe) under this section;
- (C) fail to take timely action to respond to a borrower's requests to correct errors relating to allocation of payments, final balances for purposes of paying off the loan, or avoiding foreclosure, or other standard servicer's duties;
- (D) fail to respond within 10 business days to a request from a borrower to provide the identity, address, and other relevant contact information about the owner or assignee of the loan; or

(E) fail to comply with any other obligation found by the Bureau of Consumer Financial Protection, by regulation, to be appropriate to carry out the consumer protection purposes of this Act.

(2) Force-placed insurance defined

For purposes of this subsection and subsections (l) and (m), the term “force-placed insurance” means hazard insurance coverage obtained by a servicer of a federally related mortgage when the borrower has failed to maintain or renew hazard insurance on such property as required of the borrower under the terms of the mortgage.

(l) Requirements for force-placed insurance

A servicer of a federally related mortgage shall not be construed as having a reasonable basis for obtaining force-placed insurance unless the requirements of this subsection have been met.

(1) Written notices to borrower

A servicer may not impose any charge on any borrower for force-placed insurance with respect to any property securing a federally related mortgage unless--

(A) the servicer has sent, by first-class mail, a written notice to the borrower containing--

(i) a reminder of the borrower's obligation to maintain hazard insurance on the property securing the federally related mortgage;

(ii) a statement that the servicer does not have evidence of insurance coverage of such property;

(iii) a clear and conspicuous statement of the procedures by which the borrower may demonstrate that the borrower already has insurance coverage; and

(iv) a statement that the servicer may obtain such coverage at the borrower's expense if the borrower does not provide such demonstration of the borrower's existing coverage in a timely manner;

(B) the servicer has sent, by first-class mail, a second written notice, at least 30 days after the mailing of the notice under subparagraph (A) that contains all the information described in each clause of such subparagraph; and

(C) the servicer has not received from the borrower any demonstration of hazard insurance coverage for the property securing the mortgage by the end of the 15-day period beginning on the date the notice under subparagraph (B) was sent by the servicer.

(2) Sufficiency of demonstration

A servicer of a federally related mortgage shall accept any reasonable form of written confirmation from a borrower of existing insurance coverage, which shall include the existing insurance policy number along with the identity of, and contact information for, the insurance company or agent, or as otherwise required by the Bureau of Consumer Financial Protection.

(3) Termination of force-placed insurance

Within 15 days of the receipt by a servicer of confirmation of a borrower's existing insurance coverage, the servicer shall--

(A) terminate the force-placed insurance; and  
B) refund to the consumer all force-placed insurance premiums paid by the borrower during any period during which the borrower's insurance coverage and the force-placed insurance coverage were each in effect, and any related fees charged to the consumer's account with respect to the force-placed insurance during such period.

(4) Clarification with respect to Flood Disaster Protection Act

No provision of this section shall be construed as prohibiting a servicer from providing simultaneous or concurrent notice of a lack of flood insurance pursuant to section 102(e) of the Flood Disaster Protection Act of 1973.

(m) Limitations on force-placed insurance charges

All charges, apart from charges subject to State regulation as the business of insurance, related to force-placed insurance imposed on the borrower by or through the servicer shall be bona fide and reasonable.

\*\*\*\*\*

April 9, 2012

## **ATTACHMENT B-1**

Periodic Statement – Prototype 1  
Tested in Towson, Maryland  
February 1-2, 2012

April 9, 2012

## Springside Mortgage

Adam and Mary Jones  
4700 Oak Ridge Ln  
Bethesda, MD 20814

## Mortgage Statement

Statement Date: 3/20/2012

Account Number	1234567
Payment Due Date	4/1/2012
<b>Amount Due</b>	<b>\$1,829.71</b>
<i>If payment is received after 4/15/12, pay \$1,989.71</i>	

### Account Information

Property Address	4700 Oak Ridge Ln Bethesda, MD 20814
Remaining Loan Balance	\$264,776.43
Maturity Date	September 2039
Interest Rate (Until October 2012)	4.75%
Prepayment Penalty	\$35,000.00

### Contact Us

By Phone: 1-800-555-1234  
Online: [www.springsidemortgage.com](http://www.springsidemortgage.com)  
*See back for mailing addresses*

### Current Payment Due

Principal	\$386.46
Interest	\$1,048.07
Escrow (for Taxes and Insurance)	\$235.18
Regular Monthly Payment	<b>\$1,669.71</b>
Total Fees Charged	\$160.00
<b>Total Amount Due</b>	<b>\$1,829.71</b>

### Transaction Activity

Date	Description	Charges	Payments
3/16/12	Late Fee (charged because payment was received after 3/15/2012)	\$160.00	
3/17/12	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
Partial Payment (Unapplied)	\$0.00	\$0.00
<b>Total</b>	<b>\$1,669.71</b>	<b>\$5,009.13</b>

### Important Messages

**If You Are Experiencing Financial Difficulty:** If you would like mortgage counseling or assistance, you can find a list of counselors in your area on the U.S. Department of Housing and Urban Development's website at [www.hud.gov](http://www.hud.gov). On the back of this page, we have also provided contact information for three state- or federally-approved counseling programs in your area.

We are pleased to have you as a Springside Mortgage customer. We are known throughout the country for the quality of our service and our dedication to providing financial security for our customers. We will do everything we can to make you feel at home, and to ensure you receive the friendly, professional service you deserve.

## Springside Mortgage

Springside Mortgage  
8100 Market Ave  
Bethesda, MD 20814

<b>Amount Due</b>	
Due By 4/1/2012:	\$1,829.71
<i>If received after 4/15/2012:</i>	\$1,989.71
Please designate how you want us to apply any additional funds.	
Additional Principal	\$ .
Additional Escrow	\$ .
Other Charges (specify):	\$ .
<b>Total Amount Enclosed</b>	<b>\$ .</b>

April 9, 2012

### **Payment Options**

Springside Mortgage provides you the following options for making your mortgage loan payments.

- **Mail:** P.O. Box 11111, Baltimore, MD 21264
- **Online\***: [www.springsidemortgage.com](http://www.springsidemortgage.com)
- **Pay-by-phone\*\*:** 1-800-123-4567
- **Automatic Deduction:** Enroll at [www.springsidemortgage.com](http://www.springsidemortgage.com)
- **In Person:** At any Springside Mortgage branch

\*Select "My Mortgage Info" from the "Online Services Menu."

\*\* A fee may apply for this service.

### **Online Services**

Springside Mortgage offers a variety of online services to help you better manage your mortgage loans including:

- Payments
- Electronic Statements
- "Notify me" alerts for payments received or escrow disbursements

You can also view your loan payment history, amortization schedule, principal balance, interest rate and escrow account activity. Simply visit [www.springsidemortgage.com](http://www.springsidemortgage.com) and select "My Mortgage Info" from the online services menu. For further assistance please contact us at 1-800-678-4567.

### **Payment Information**

- **Additional Amount:** Please designate how you want additional funds to be applied; we will apply them as directed provided your account is current. If your account is current, undesignated funds will be applied per the terms of your mortgage loan documents. Regardless of the account status, principal prepayments will only be applied to your account if your contract allows for prepayments.
- **Please be prompt.** Payments must reach Springside Mortgage by the due date. **Your payment is credited on the day it is received at our payment center, not the day it is postmarked.** Payments made at a Springside Mortgage branch prior to the change of the business day will be credited the same day. Payments are not accepted at Springside Mortgage origination offices.
- If you are in bankruptcy or received a bankruptcy discharge of debt, this communication is not an attempt to collect a debt against you personally, but strictly for informational purposes only.
- **Notice of Negative Information:** We may report information about your account to the Credit Bureaus. Late payment, missed payments, other defaults, or bankruptcy filing on your account may be reflected in your credit report.

### **Mortgage Counseling and Assistance**

If you would like counseling or assistance, you can find a list of counselors in your area on the U.S. Department of Housing and Urban Development's website at [www.hud.gov](http://www.hud.gov). Below is contact information for the housing finance authority in your state and for three state- or federally-approved counseling programs in your area.

- **Maryland Department of Housing and Community Development**  
100 Community Place  
Crownsville, MD 21032  
410-514-7000 or 1-800-756-0119  
[www.mdhousing.org](http://www.mdhousing.org)
- **Consumer Credit Counseling Services of Maryland and Delaware, Inc.**  
757 Frederick Rd  
Baltimore, MD 21228  
1-866-731-8486  
[www.cccs-inc.org](http://www.cccs-inc.org)
- **St. Ambrose Housing Aid Center, Inc.**  
321 E. 25th St  
Baltimore, MD 21218  
410-366-8550 x235  
[www.stambros.org](http://www.stambros.org)
- **Housing Initiative Partnership, Inc.**  
6525 Belcrest Road, Suite 555  
Hyattsville, MD 20782  
301-699-3835  
[www.hiphomes.org](http://www.hiphomes.org)

### **Automated Account Information**

Account information is easy to access through Springside Mortgage's Automated Phone Service by calling 877-555-9988 or 1-800-555-2222. Please have your loan number and the first five (5) digits of your Social Security Number to access this convenient service. Automated information is available Monday-Sunday 7:00 a.m. to 11:00 p.m., Eastern Time.

### **Consumer Complaints and Inquiries**

- You can direct any complaints and inquiries to Springside Mortgage by referencing the "Contact Us" section on the first page of this statement.
- You have the right to file complaints about Springside Mortgage with your state banking department.

### **Service Fee Schedule (Unless Limited by State Law)\***

Amortization Schedule: \$25.00  
Account History (per year): \$10.00  
Duplicate 1098/Escrow Analysis: \$10.00  
Verification of Mortgage: \$20.00  
Document Copies (per request): \$20.00  
Subsequent Payoff Statement: Varies  
Automated Payment by Phone: \$15.00  
Fax Fee: Varies  
Returned Check Fee: Varies

\*May be subject to change

### **Important Springside Mortgage Contact Information**

#### **Payments:**

P.O. Box 11111  
Baltimore, MD 21264

#### **Correspondence Address:**

P.O. Box 12111  
Buffalo, NY 14240

#### **Fax Numbers:**

Fax payoff requests: 1-866-221-2222  
Fax all other Customer Service requests: 1-866-555-5555

#### **Overnight Mail:**

1 Fountain Plaza  
Buffalo, NY 14203

#### **Questions about Insurance:**

P.O. Box 32309  
Springfield, OH 45501

#### **Questions about Tax:**

P.O. Box 209433  
Fort Worth, TX 76161

### **Homeowners Insurance/Property Tax Information**

- **Insurance Requirements:** The terms of your loan require that you maintain homeowners insurance coverage not less than the replacement value of your property. We suggest that you consult your insurance company to determine these coverage amounts. Flood Insurance is required for all properties located in a Special Flood Hazard Area as designated by FEMA.
- **Policy Information:** To protect our mutual interests, the mortgage clause of your policy must include the following: Springside Mortgage, its Successors and/or Assigns, Mortgage Loan #\_\_\_\_\_, P.O. Box 392, Springfield, OH 20932. If you pay your own insurance, please ensure that you provide us with your current insurance information by visiting our website at [www.mycoverageinfo.com](http://www.mycoverageinfo.com). You may also mail or fax a copy of the declaration page to our office (Fax # 1-877-495-4455).
- **Damaged Property:** In the event of damage to your home, notify your insurance agent. After the claim has been filed, please contact us at 1-888-555-3434 so that we may guide you through this process.
- **Loans with Tax Escrow:** If your property taxes are paid from an escrow account with us and you receive a tax bill, please forward the bill immediately to the following address: Springside Mortgage, P.O. Box 30944, Fort Worth, TX 39393. Please be sure to write your loan number on the bill. It is no longer necessary to forward paid tax receipts on non-escrow accounts. For property-related tax questions please call 1-877-555-4444.

April 9, 2012

## **ATTACHMENT B-2**

Periodic Statement – Prototype 2  
Tested in Memphis, Tennessee  
February 29 – March 1, 2012

April 9, 2012

## Springside Mortgage

## Mortgage Statement

Statement Date: 3/20/2012

Adam and Mary Jones  
4700 Oak Ridge Ln  
Memphis, TN 38109

Account Number	1234567
Payment Due Date	4/1/2012
Amount Due	\$2,849.42
<i>If payment is received after 4/15/12, \$160 late fee will be charged.</i>	

### Account Information

Property Address	4700 Oak Ridge Ln Memphis, TN 38109
Outstanding Principal	\$264,776.43
Maturity Date	September 2039
Interest Rate (Until October 2012)	4.75%
Prepayment Penalty	\$3,500.00

### 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
Overdue Payment	\$769.71
<b>Total Amount Due</b>	<b>\$2,849.42</b>

### Contact Us

By Phone:	1-800-555-1234
Online:	<a href="http://www.springsidemortgage.com">www.springsidemortgage.com</a>
<i>See back for mailing addresses</i>	

### Transaction Activity (2/20 to 3/19)

Date	Description	Charges	Payments
3/13/12	Partial Payment Received		\$900.00
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	\$765.32
Interest	\$0.00	\$2,103.74
Escrow (Taxes and Insurance)	\$0.00	\$470.36
Fees	\$0.00	\$0.00
Partial Payment (Unapplied)	\$900.00	\$900.00
<b>Total</b>	<b>\$900.00</b>	<b>\$4,239.42</b>

### Important Messages

**If You Are Experiencing Financial Difficulty:** If you would like mortgage counseling or assistance, you can find a list of counselors in your area on the U.S. Department of Housing and Urban Development's website at [www.hud.gov](http://www.hud.gov). On the back of this page, we have also provided contact information for three state- or federally-approved counseling programs in your area.

We are pleased to have you as a Springside Mortgage customer. We are known throughout the country for the quality of our service and our dedication to providing financial security for our customers. We will do everything we can to make you feel at home, and to ensure you receive the friendly, professional service you deserve.

## Springside Mortgage

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

Amount Due	
Due By 4/1/2012:	\$2,849.42
<i>\$160 late fee will be charged after 4/15/12</i>	
Please designate how you want us to apply any additional funds.	
Additional Principal	\$ .
Additional Escrow	\$ .
<b>Total Amount Enclosed</b>	<b>\$ .</b>

#### **Payment Options**

Springside Mortgage provides you the following options for making your mortgage loan payments.

- **Mail:** P.O. Box 11111, Memphis, TN 38101
  - **Online\***: [www.springsidemortgage.com](http://www.springsidemortgage.com)
  - **Pay-by-phone\*\*:** 1-800-123-4567
  - **Automatic Deduction:** Enroll at [www.springsidemortgage.com](http://www.springsidemortgage.com)
  - **In Person:** At any Springside Mortgage branch
- \*Select "My Mortgage Info" from the "Online Services Menu."  
\*\* A fee may apply for this service.

#### **Online Services**

Springside Mortgage offers a variety of online services to help you better manage your mortgage loans including:

- Payments
- Electronic Statements
- "Notify me" alerts for payments received or escrow disbursements

You can also view your loan payment history, amortization schedule, principal balance, interest rate and escrow account activity. Simply visit [www.springsidemortgage.com](http://www.springsidemortgage.com) and select "My Mortgage Info" from the online services menu. For further assistance please contact us at 1-800-678-4567.

#### **Payment Information**

- **Additional Amount:** Please designate how you want additional funds to be applied; we will apply them as directed provided your account is current. If your account is current, undesignated funds will be applied per the terms of your mortgage loan documents. Regardless of the account status, principal prepayments will only be applied to your account if your contract allows for prepayments.
- **Please be prompt.** Payments must reach Springside Mortgage by the due date. Your payment is credited on the day it is received at our payment center, not the day it is postmarked. Payments made at a Springside Mortgage branch prior to the change of the business day will be credited the same day. Payments are not accepted at Springside Mortgage origination offices.
- If you are in bankruptcy or received a bankruptcy discharge of debt, this communication is not an attempt to collect a debt against you personally, but strictly for informational purposes only.
- **Notice of Negative Information:** We may report information about your account to the Credit Bureaus. Late payment, missed payments, other defaults, or bankruptcy filing on your account may be reflected in your credit report.

#### **Mortgage Counseling and Assistance**

If you would like counseling or assistance, you can find a list of counselors in your area on the U.S. Department of Housing and Urban Development's website at [www.hud.gov](http://www.hud.gov). Below is contact information for the housing finance authority in your state and for three state- or federally-approved counseling programs in your area.

- **Tennessee Housing Development Agency**  
404 James Robertson Pkwy, Ste 1200  
Nashville, TN 37243-0900  
615-815-2200 or 1-800-228-THDA  
[www.thda.org](http://www.thda.org)
- **Financial Counselors of America**  
3294 Poplar Ave, Ste 304  
Memphis, TN 38111  
901-722-5000 or 1-877-450-4404  
[www.financialcounselors.org](http://www.financialcounselors.org)
- **Memphis Consumer Credit Education Association**  
1661 Aaron Brenner Dr, Ste 201  
Memphis, TN 38120  
901-321-6800  
[www.mccea.net](http://www.mccea.net)
- **Memphis Housing Resource Center**  
2400 Poplar Ave, Ste 220  
Memphis, TN 38112  
901-529-1151  
[www.mhrc.info](http://www.mhrc.info)

#### **Automated Account Information**

Account information is easy to access through Springside Mortgage's Automated Phone Service by calling 877-555-9988 or 1-800-555-2222. Please have your loan number and the first five (5) digits of your Social Security Number to access this convenient service. Automated information is available Monday-Sunday 7:00 a.m. to 11:00 p.m., Eastern Time.

#### **Consumer Complaints and Inquiries**

- You can direct any complaints and inquiries to Springside Mortgage by referencing the "Contact Us" section on the first page of this statement.
- You have the right to file complaints about Springside Mortgage with your state banking department.

#### **Service Fee Schedule (Unless Limited by State Law)\***

Amortization Schedule: \$25.00  
Account History (per year): \$10.00  
Duplicate 1098/Escrow Analysis: \$10.00  
Verification of Mortgage: \$20.00  
Document Copies (per request): \$20.00  
Subsequent Payoff Statement: Varies  
Automated Payment by Phone: \$15.00  
Fax Fee: Varies  
Returned Check Fee: Varies  
\*May be subject to change

#### **Important Springside Mortgage Contact Information**

##### **Payments:**

P.O. Box 11111  
Memphis, TN 38101

##### **Correspondence Address:**

P.O. Box 12111  
Buffalo, NY 14240

##### **Fax Numbers:**

Fax payoff requests: 1-866-221-2222  
Fax all other Customer Service requests: 1-866-555-5555

##### **Overnight Mail:**

1 Fountain Plaza  
Buffalo, NY 14203

##### **Questions about Insurance:**

P.O. Box 32309  
Springfield, OH 45501

##### **Questions about Tax:**

P.O. Box 209433  
Fort Worth, TX 76161

#### **Homeowners Insurance/Property Tax Information**

- **Insurance Requirements:** The terms of your loan require that you maintain homeowners insurance coverage not less than the replacement value of your property. We suggest that you consult your insurance company to determine these coverage amounts. Flood Insurance is required for all properties located in a Special Flood Hazard Area as designated by FEMA.
- **Policy Information:** To protect our mutual interests, the mortgage clause of your policy must include the following: Springside Mortgage, its Successors and/or Assigns, Mortgage Loan #\_\_\_\_\_, P.O. Box 392, Springfield, OH 20932. If you pay your own insurance, please ensure that you provide us with your current insurance information by visiting our website at [www.mycoverageinfo.com](http://www.mycoverageinfo.com). You may also mail or fax a copy of the declaration page to our office (Fax # 1-877-495-4455).
- **Damaged Property:** In the event of damage to your home, notify your insurance agent. After the claim has been filed, please contact us at 1-888-555-3434 so that we may guide you through this process.
- **Loans with Tax Escrow:** If your property taxes are paid from an escrow account with us and you receive a tax bill, please forward the bill immediately to the following address: Springside Mortgage, P.O. Box 30944, Fort Worth, TX 39393. Please be sure to write your loan number on the bill. It is no longer necessary to forward paid tax receipts on non-escrow accounts. For property-related tax questions please call 1-877-555-4444.

April 9, 2012

**ATTACHMENT B-3**

Periodic Statement – Prototype 3  
Tested in Los Angeles, California  
April 3-4, 2012

April 9, 2012

## Springside Mortgage

Adam and Mary Jones  
4700 Oak Ridge Ln  
Los Angeles, CA 90010

## Mortgage Statement

Statement Date: 3/20/2012

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

### Account Information

Property Address	4700 Oak Ridge Ln Los Angeles, CA 90010
Outstanding Principal	\$264,776.43
Maturity Date	September 2039
Interest Rate (Until October 2012)	4.75%
Prepayment Penalty	\$3,500.00

### Explanation of Amount Due

Principal	\$386.46
Interest	\$1,048.07
Escrow	\$235.18
<b>Regular Monthly Payment</b>	<b>\$1,669.71</b>
Total Fees and Charges	\$410.00
Overdue Payment	\$2,259.42
<b>Total Amount Due</b>	<b>\$4,339.13</b>

### Contact Us

By Phone:	1-800-555-1234
Online:	<a href="http://www.springsidemortgage.com">www.springsidemortgage.com</a>
<i>See back for mailing addresses</i>	

### \*\*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.**

### 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	\$0.00	\$235.18
Fees	\$0.00	\$410.00
Partial Payment (Unapplied)*	\$1,000.00	\$1,490.00
<b>Total</b>	<b>\$1,000.00</b>	<b>\$3,569.71</b>

### 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.

## Springside Mortgage

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

Amount Due	
Due By 4/1/2012:	<b>\$4,339.13</b>
<i>\$160 late fee will be charged after 4/15/12</i>	
Please designate how you want us to apply any additional funds.	
Additional Principal	\$ .
Additional Escrow	\$ .
<b>Total Amount Enclosed</b>	<b>\$ .</b>

1234567 34571892

342359127 DN

### **Payment Options**

Springside Mortgage provides you the following options for making your mortgage loan payments.

- Mail: P.O. Box 11111, Los Angeles, CA 90010
  - Online\*: [www.springsidemortgage.com](http://www.springsidemortgage.com)
  - Pay-by-phone\*\*: 1-800-123-4567
  - Automatic Deduction: Enroll at [www.springsidemortgage.com](http://www.springsidemortgage.com)
  - In Person: At any Springside Mortgage branch
- \*Select "My Mortgage Info" from the "Online Services Menu."  
\*\* A fee may apply for this service.

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- Electronic Statements
- "Notify me" alerts for payments received or escrow disbursements

You can also view your loan payment history, amortization schedule, principal balance, interest rate and escrow account activity. Simply visit [www.springsidemortgage.com](http://www.springsidemortgage.com) and select "My Mortgage Info" from the online services menu. For further assistance please contact us at 1-800-678-4567.

### **Payment Information**

- **Additional Amount:** Please designate how you want additional funds to be applied; we will apply them as directed provided your account is current. If your account is current, undesigned funds will be applied per the terms of your mortgage loan documents. Regardless of the account status, principal prepayments will only be applied to your account if your contract allows for prepayments.
- **Please be prompt.** Payments must reach Springside Mortgage by the due date. Your payment is credited on the day it is received at our payment center, not the day it is postmarked. Payments made at a Springside Mortgage branch prior to the change of the business day will be credited the same day. Payments are not accepted at Springside Mortgage origination offices.
- If you are in bankruptcy or received a bankruptcy discharge of debt, this communication is not an attempt to collect a debt against you personally, but strictly for informational purposes only.
- **Notice of Negative Information:** We may report information about your account to the Credit Bureaus. Late payment, missed payments, other defaults, or bankruptcy filing on your account may be reflected in your credit report.

### **Mortgage Counseling and Assistance**

If you would like counseling or assistance, you can find a list of counselors in your area on the U.S. Department of Housing and Urban Development's website at [www.hud.gov](http://www.hud.gov). Below is contact information for the housing finance authority in your state and for three state- or federally-approved counseling programs in your area.

- California Department of Housing and Community Development  
1800 3<sup>rd</sup> St  
Sacramento, CA 95811  
916-445-4782  
[www.hcd.ca.gov](http://www.hcd.ca.gov)
- Consumer Credit Counseling Service of Orange County  
2450 E. Lincoln  
Anaheim, CA 92806  
714-547-2227 or 866-784-2227  
[www.cccsoc.org](http://www.cccsoc.org)
- Neighborhood Assistance Corporation of America – Los Angeles  
241 South Market St  
Inglewood, CA 90301  
310-412-2600 or 888-297-5568  
[www.naca.com](http://www.naca.com)
- Los Angeles Neighborhood Housing Services, Inc.  
3926 Wilshire Blvd, Suite 200  
Los Angeles, CA 90010  
213-381-2862 or 888-895-2467  
[www.lahs.org](http://www.lahs.org)

### **Automated Account Information**

Account information is easy to access through Springside Mortgage's Automated Phone Service by calling 877-555-9988 or 1-800-555-2222. Please have your loan number and the first five (5) digits of your Social Security Number to access this convenient service. Automated information is available Monday-Sunday 7:00 a.m. to 11:00 p.m., Eastern Time.

### **Consumer Complaints and Inquiries**

- You can direct any complaints and inquiries to Springside Mortgage by referencing the "Contact Us" section on the first page of this statement.
- You have the right to file complaints about Springside Mortgage with your state banking department.

### **Service Fee Schedule (Unless Limited by State Law)\***

Amortization Schedule: \$25.00  
Account History (per year): \$10.00  
Duplicate 1098/Escrow Analysis: \$10.00  
Verification of Mortgage: \$20.00  
Document Copies (per request): \$20.00  
Subsequent Payoff Statement: Varies  
Automated Payment by Phone: \$15.00  
Fax Fee: Varies  
Returned Check Fee: Varies  
\*May be subject to change

### **Important Springside Mortgage Contact Information**

#### **Payments:**

P.O. Box 11111  
Los Angeles, CA 90010

#### **Correspondence Address:**

P.O. Box 12111  
Buffalo, NY 14240

#### **Fax Numbers:**

Fax payoff requests: 1-866-221-2222

Fax all other Customer Service requests: 1-866-555-5555

#### **Overnight Mail:**

1 Fountain Plaza  
Buffalo, NY 14203

#### **Questions about Insurance:**

P.O. Box 32309  
Springfield, OH 45501

#### **Questions about Tax:**

P.O. Box 209433  
Fort Worth, TX 76161

### **Homeowners Insurance/Property Tax Information**

- **Insurance Requirements:** The terms of your loan require that you maintain homeowner's insurance coverage not less than the replacement value of your property. We suggest that you consult your insurance company to determine these coverage amounts. Flood Insurance is required for all properties located in a Special Flood Hazard Area as designated by FEMA.
- **Policy Information:** To protect our mutual interests, the mortgage clause of your policy must include the following: Springside Mortgage, its Successors and/or Assigns, Mortgage Loan #\_\_\_\_\_, P.O. Box 392, Springfield, OH 20932. If you pay your own insurance, please ensure that you provide us with your current insurance information by visiting our website at [www.mycoverageinfo.com](http://www.mycoverageinfo.com). You may also mail or fax a copy of the declaration page to our office (Fax # 1-877-495-4455).
- **Damaged Property:** In the event of damage to your home, notify your insurance agent. After the claim has been filed, please contact us at 1-888-555-3434 so that we may guide you through this process.
- **Loans with Tax Escrow:** If your property taxes are paid from an escrow account with us and you receive a tax bill, please forward the bill immediately to the following address: Springside Mortgage, P.O. Box 30944, Fort Worth, TX 76139. Please be sure to write your loan number on the bill. It is no longer necessary to forward paid tax receipts on non-escrow accounts. For property-related tax questions please call 1-877-555-4444.

April 9, 2012

## **ATTACHMENT C-1**

Adjustable Rate Mortgage Reset Notice – Prototype 1  
Tested in Towson, Maryland  
February 1-2, 2012

April 9, 2012

January 20, 2012

## Changes to Your Mortgage Interest Rate and Payments on July 20, 2012

This notice tells you that your interest rate may begin to change on July 20, 2012. Note that any change to your interest rate may also change your mortgage payment. For more detailed information, please refer to your loan agreement(s).

	Current Rate and Monthly Payment	Estimated New Rate and Monthly Payment
Interest Rate	4.25%	5.75%
Total Monthly Payment	\$1,746.00	\$2,463.00 (due August 1, 2012)

**Interest Rate:** The interest rate on your adjustable rate mortgage (ARM) will change based on an index, plus a margin of 2.25%. Your index is the 1-year LIBOR index, which is published daily in the Wall Street Journal.

**Rate Limits:** Beginning July 20, 2012, your rate can change each year by no more than 2.00%. Your rate can not go higher than 11.625% over the life of the loan.

**New Monthly Payment:** The table above shows our estimate of your new interest rate and new monthly payment. The index on which your interest rate is based may change at any time, making it impossible to predict exactly what your interest rate and payment will be after July 20, 2012. The estimate is based on today's index value, your margin of 2.25%, your current loan balance of \$243,267 and your remaining loan term of 324 months.

**Possible Alternatives:** 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.
- Renegotiate your loan terms with us.
- Payment forbearance, which temporarily gives you more time to pay your monthly payment.
- Transfer ownership of the property directly to us in order to avoid foreclosure.

**Prepayment Penalty:** Keep in mind that if you pay off your loan, refinance or sell your home before May 1, 2012 you could be charged a penalty of up to \$4,323.13.

**If You Anticipate Problems Making Your Payments:** Contact us at 1-800-555-4567 as soon as possible. If you would like counseling or assistance, you can contact any of the following:

*Federal and State Housing Finance Agencies:*

- U.S. Department of Housing and Urban Development (HUD): For a list of counseling agencies or programs in your area, go to [www.hud.gov](http://www.hud.gov) or call 800-569-4287.

*(continued on other side)*

- Maryland Department of Housing and Community Development  
100 Community Place  
Crownsville, MD 21032  
410-514-7000 or 1-800-756-0119  
[www.mdhousing.org](http://www.mdhousing.org)

*Federally- or State-approved counseling agencies and programs:*

- Consumer Credit Counseling Services of Maryland and Delaware, Inc.  
757 Frederick Rd  
Baltimore, MD 21228  
1-866-731-8486  
[www.cccs-inc.org](http://www.cccs-inc.org)
- St. Ambrose Housing Aid Center, Inc.  
321 E. 25th St  
Baltimore, MD 21218  
410-366-8550 x235  
[www.stambros.org](http://www.stambros.org)
- Housing Initiative Partnership, Inc.  
6525 Belcrest Road, Suite 555  
Hyattsville, MD 20782  
301-699-3835  
[www.hiphomes.org](http://www.hiphomes.org)

April 9, 2012

## **ATTACHMENT C-2**

Adjustable Rate Mortgage Reset Notice – Prototype 2

Tested in Memphis, Tennessee

February 29 – March 1, 2012

April 9, 2012

Springside Mortgage  
1234 Main St  
Memphis, TN 38101

February 20, 2012

Adam and Mary Jones  
4700 Oak Ridge Ln  
Memphis, TN 38109

### Changes to Your Mortgage Interest Rate and Payments on August 20, 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 August 20, 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.**

	Current Rate and Monthly Payment	Estimated New Rate and Monthly Payment
Interest Rate	4.25%	5.75%
Total Monthly Payment	\$1,746.00	\$2,463.00 (due September 1, 2012)

**Interest Rate:** On August 20, 2012 and every year after that, we will calculate 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 can change each year by no more than 2.00%. Your rate cannot go higher than 11.625% over the life of the loan.

**New Interest Rate and Monthly Payment:** The table above shows our estimate of your new interest rate and new monthly payment. This estimate is based on today’s LIBOR index, your margin of 2.25%, your current loan balance of \$243,267 and your remaining loan term of 324 months. **However, if the LIBOR index has changed on August 20, your new interest rate and payment may be different from what is shown above.**

**Possible Alternatives:** 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.
- Transfer ownership of the property directly to us in order to avoid foreclosure.

**Prepayment Penalty:** Keep in mind that if you pay off your loan, refinance or sell your home before June 1, 2012 you could be charged a penalty of up to \$4,323.13.

**If You Anticipate Problems Making Your Payments:** Contact Springside Mortgage at 1-800-555-4567 as soon as possible. If you would like counseling or assistance, you can contact any of the following:

*Federal and State Housing Finance Agencies:*

- U.S. Department of Housing and Urban Development (HUD): For a list of counseling agencies or programs in your area, go to [www.hud.gov](http://www.hud.gov) or call 800-569-4287.

*(Continued on other side)*

- Tennessee Housing Development Agency  
404 James Robertson Pkwy, Ste 1200  
Nashville, TN 37243-0900  
615-815-2200 or 1-800-228-THDA  
[www.thda.org](http://www.thda.org)

*Federally- or State-Approved Counseling Agencies and Programs:*

- Financial Counselors of America  
3294 Poplar Ave, Ste 304  
Memphis, TN 38111  
901-722-5000 or 1-877-450-4404  
[www.financialcounselors.org](http://www.financialcounselors.org)
- Memphis Consumer Credit Education Association  
1661 Aaron Brenner Dr, Ste 201  
Memphis, TN 38120  
901-321-6800  
[www.mccea.net](http://www.mccea.net)
- Memphis Housing Resource Center  
2400 Poplar Ave, Ste 220  
Memphis, TN 38112  
901-529-1151  
[www.mhrc.info](http://www.mhrc.info)

April 9, 2012

## **ATTACHMENT C-3**

Adjustable Rate Mortgage Reset Notice – Prototype 3  
Tested in Los Angeles, California  
April 3-4, 2012

April 9, 2012

Springside Mortgage  
1234 Main St  
Los Angeles, CA 90010

March 29, 2012

Adam and Mary Jones  
4700 Oak Ridge Ln  
Los Angeles, CA 90010

### Changes to Your Mortgage Interest Rate and Payments on September 29, 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 29, 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 29, 2012 your mortgage payment will include principal as well as interest.**

	<b>Current Rate and Monthly Payment</b>	<b>Estimated New Rate and Monthly Payment</b>
Interest Rate	4.25%	6.25%
Principal	- none -	\$1,556.14
Interest	\$861.57	
Escrow (Taxes and Insurance)	\$460.27	\$502.67
<b>Total Monthly Payment</b>	<b>\$1,321.84</b>	<b>\$2,058.81</b> <b>(due October 1, 2012)</b>

**Interest Rate:** On September 29, 2012 and every year after that, we will calculate 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%. If not for this rate limit, your estimated rate on September 29 would be 1.00% higher. This additional amount may be applied to your interest rate when it adjusts again next year.

**New Interest Rate and Monthly Payment:** The table above shows our estimate of your new interest rate and new monthly payment. This estimate is based on today’s LIBOR index, your margin of 2.25%, your current loan balance of \$243,267 and your remaining loan term of 324 months. **However, if the LIBOR index has changed on September 29, your new interest rate and payment may be different from what is shown above.** Your new payment will cover all of your interest and some of your loan’s principal, and therefore will reduce your loan balance.

**Possible Alternatives:** 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.
- Transfer ownership of the property directly to us in order to avoid foreclosure.

**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 of up to \$4,323.13.

**If You Anticipate Problems Making Your Payments:** Contact Springside Mortgage at 1-800-555-4567 as soon as possible. If you would like counseling or assistance, you can contact any of the following:

*(Continued on other side)*

*Federal and State Housing Finance Agencies:*

- U.S. Department of Housing and Urban Development (HUD): For a list of counseling agencies or programs in your area, go to [www.hud.gov](http://www.hud.gov) or call 800-569-4287.
- California Department of Housing and Community Development  
1800 3<sup>rd</sup> St  
Sacramento, CA 95811  
916-445-4782  
[www.hcd.ca.gov](http://www.hcd.ca.gov)

*Federally- or State-Approved Counseling Agencies and Programs:*

- Consumer Credit Counseling Service of Orange County  
2450 E. Lincoln  
Anaheim, CA 92806  
714-547-2227 or 866-784-2227  
[www.cccsoc.org](http://www.cccsoc.org)
- Neighborhood Assistance Corporation of America – Los Angeles  
241 South Market St  
Inglewood, CA 90301  
310-412-2600 or 888-297-5568  
[www.naca.com](http://www.naca.com)
- Los Angeles Neighborhood Housing Services, Inc.  
3926 Wilshire Blvd, Suite 200  
Los Angeles, CA 90010  
213-381-2862 or 888-895-2467  
[www.lahs.org](http://www.lahs.org)

April 9, 2012

**ATTACHMENT D-1**

Force-Placed Insurance Notices – Prototype 1  
Tested in Towson, Maryland  
February 1-2, 2012

April 9, 2012

Springside Mortgage  
1234 Main St  
Baltimore, MD 21216

January 22, 2012

Adam and Mary Jones  
4700 Oak Ridge Ln  
Towson, MD 21204

**Subject: PROVIDE PROOF OF INSURANCE for 4700 Oak Ridge Lane, Towson, MD 21204**

Dear Mr. and Mrs. Jones:

Under the terms of your mortgage, you must maintain adequate homeowners' insurance coverage on the property referred to above. Our records show that your existing homeowners' insurance policy has expired or been cancelled, and we do not have evidence that you have obtained new coverage.

**If you do not have insurance coverage, we have the right to purchase hazard insurance on your behalf and charge you for the cost.** The insurance that we buy:

- Will cost you an estimated **\$2,100.00 per year**, which is probably more expensive than insurance you can buy yourself.
- **May not provide as much coverage** as an insurance policy you buy yourself.

**In order to avoid being charged, you must show us evidence that you have your own insurance coverage for the property.** If you do provide evidence of coverage, you will not be charged for any period during which you had your own insurance.

You can show us that you have insurance by providing us with your insurance policy number, the identity of your insurance company or agent, and contact information for the insurance company or agent. You can also send us a copy of your insurance binder, certificate, or policy. You can send us this information by fax, mail, or email.

The total cost of the insurance we buy will include the premium and any applicable taxes or fees. If you have an escrow account, this cost may be charged to your escrow account. If you do not have an escrow account, we may establish an escrow account in accordance with the terms of your mortgage.

If you have any questions, please contact us at 1-800-123-4567 or [service@springsidemortgage.com](mailto:service@springsidemortgage.com). You may also write to us at 1234 Main Street, Baltimore, MD 21216 or send a fax to 410-555-9999, Attention: Customer Service.

Sincerely,

Jennifer Brown  
Loan Officer

April 9, 2012

**ATTACHMENT D-2(a) and (b)**

Force-Placed Insurance Notices – Prototype 2  
Tested in Memphis, Tennessee  
February 29 – March 1, 2012

April 9, 2012

**D-2(a)**

Springside Mortgage  
1234 Main St  
Memphis, TN 38101

February 22, 2012

Adam and Mary Jones  
4700 Oak Ridge Ln  
Memphis, TN 38109

**Subject: PLEASE PROVIDE PROOF OF INSURANCE for 4700 Oak Ridge Lane, Memphis, TN 38109**

Dear Mr. and Mrs. Jones:

Our records show that your homeowners' insurance policy lapsed on February 20, 2012, and we do not have evidence that you have obtained new coverage. **Because insurance is required on your property, we have purchased insurance on your behalf.**

**You should immediately purchase or renew your own insurance policy, because the insurance we purchased:**

- Will cost you **\$2,100.00 per year**, which is probably more expensive than insurance you can buy yourself.
- **May not provide as much coverage** as an insurance policy you buy yourself.

If you give us proof of insurance coverage, we will cancel our policy and will not charge you for any period during which you had your own insurance. However, you will have to pay us for any period during which you did not have insurance.

You can show us that you have insurance by providing us with your insurance policy number, the identity of your insurance company or agent, and contact information for the insurance company or agent. You can also send us a copy of your insurance binder, certificate, or policy. You can send us this information by fax, mail, or email.

If you have any questions, please contact us at 1-800-123-4567 or [service@springsidemortgage.com](mailto:service@springsidemortgage.com). You may also write to us at 1234 Main Street, Memphis, TN 38101 or send a fax to 410-555-9999, Attention: Customer Service.

Sincerely,

Jennifer Brown  
Loan Officer

April 9, 2012

**D-2(b)**

Springside Mortgage  
1234 Main St  
Memphis, TN 38101

February 22, 2012

Adam and Mary Jones  
4700 Oak Ridge Ln  
Memphis, TN 38109

**Subject: PLEASE PROVIDE PROOF OF INSURANCE for 4700 Oak Ridge Lane, Memphis, TN 38109**

Dear Mr. and Mrs. Jones:

Our records show that your homeowners' insurance policy lapsed on February 20, 2012, and we do not have evidence that you have obtained new coverage. **Because insurance is required on your property, we may purchase insurance on your behalf.**

**You should immediately purchase or renew your own insurance policy, because the insurance we purchase:**

- Will cost you an estimated **\$2,100.00 per year**, which is probably more expensive than insurance you can buy yourself.
- **May not provide as much coverage** as an insurance policy you buy yourself.

If we purchase insurance on your behalf, you will have to pay us for any period during which you did not have insurance. However, we will not charge you for any period during which you can prove you had your own insurance.

You can show us that you have insurance by providing us with your insurance policy number, the identity of your insurance company or agent, and contact information for the insurance company or agent. You can also send us a copy of your insurance binder, certificate, or policy. You can send us this information by fax, mail, or email.

If you have any questions, please contact us at 1-800-123-4567 or [service@springsidemortgage.com](mailto:service@springsidemortgage.com). You may also write to us at 1234 Main Street, Memphis, TN 38101 or send a fax to 410-555-9999, Attention: Customer Service.

Sincerely,

Jennifer Brown  
Loan Officer

WP

April 9, 2012

**ATTACHMENT D-3**

Force-Placed Insurance Notices – Prototype 3  
Tested in Los Angeles, California  
April 3-4, 2012

April 9, 2012

Springside Mortgage  
1234 Main St  
Los Angeles, CA 90010

March 29, 2012

Adam and Mary Jones  
4700 Oak Ridge Ln  
Los Angeles, CA 90010

**Subject: PLEASE PROVIDE PROOF OF INSURANCE FOR 4700 Oak Ridge Lane, Los Angeles, CA 90010**

Dear Mr. and Mrs. Jones:

Because we did not have evidence that you had hazard insurance on the property listed above, we purchased force-placed insurance coverage on your behalf, effective May 13, 2011. Before we charged you for this policy, we sent you two notices by mail asking you to provide us proof that you had your own hazard insurance coverage. We still do not have evidence that you have obtained your own coverage.

The policy that we purchased is scheduled to expire on May 12, 2012. **Because insurance is required on your property, we are going to renew the policy we obtained and charge the premium to you.**

**You should immediately purchase your own insurance policy, because the insurance we purchased:**

- Costs you **\$2,100.00 per year**, which is probably more expensive than insurance you can buy yourself.
- **May not provide as much coverage** as an insurance policy you buy yourself.

If you give us proof of insurance coverage at any time, we will cancel our policy and will not charge you for any period during which you had your own insurance. However, you will have to pay us for any period during which you did not have insurance.

You can show us that you have insurance by providing us with your insurance policy number, the identity of your insurance company or agent, and contact information for the insurance company or agent. You can also send us a copy of your insurance binder, certificate, or policy. You can send us this information by fax, mail, or email.

If you have any questions, please contact us at 1-800-123-4567 or [service@springsidemortgage.com](mailto:service@springsidemortgage.com). You may also write to us at 1234 Main Street, Los Angeles, CA 90010 or send a fax to 323-555-9999, Attention: Customer Service.

Sincerely,

Jennifer Brown  
Loan Officer

RN

## ATTACHMENT E

### Error Resolution and Inquiry Procedures

	Error	Inquiry
Method of Contact	Written (or electronic if the servicer provides a website or similar means of submitting alleged errors); Oral (by telephone)	Written (or electronic if the servicer provides a website or similar means of submitting inquiries); Oral (by telephone)
Borrower Must Provide	Information that enables servicer to identify the borrower's name and account, the type of error the borrower believes to have occurred, and when the error occurred	Information that enable servicer to identify the borrower's name and account, and sufficient detail to enable the servicer to understand what information the borrower seeks
Within 5 Days (excluding weekends and holidays) after receipt	For all assertions of error, whether qualified written request or not, the servicer must acknowledge receipt of the complaint in writing, unless the error or is resolved and a written explanation is provided to the borrower in less than five days	For inquiries, whether qualified written request or not, must acknowledge receipt of the correspondence in writing, unless the requested information is provided to the borrower in less than five days
Within 30 Days (excluding weekends and holidays) after receipt	Unless the type of error is subject to a shorter designated time frame for resolution, <sup>26</sup> complete investigation; and either: <ul style="list-style-type: none"> <li>• Correct the error and provide the borrower with written notification of the correction, the date of the correction, and contact information for further assistance;</li> <li>• If the servicer concludes that a different error occurred, provide the borrower with written notification that includes a statement explaining the error identified, the corrective action taken, the date of the</li> </ul>	Unless otherwise provided in the regulation, provide to the borrower without charge either: <ul style="list-style-type: none"> <li>• The information requested; or</li> <li>• Explain why the requested information is unavailable or cannot be obtained by the servicer; and</li> </ul> Contact information for further assistance.

<sup>26</sup>For errors related to providing an accurate final payoff statement, the CFPB is considering proposing limiting the error correction time frame to five days (excluding weekends and holidays). With respect to errors related to suspending foreclosure proceedings while the borrower is performing under a trial or permanent modification, the error correction time frame would be the earlier of a scheduled foreclosure sale or 30 days (excluding weekends and holidays).

	<p>corrective action, a statement of the borrower's right to request documents relied upon by the servicer in reaching its decision within 30 days (excluding weekends and holidays) of the date of the written notification and how the borrower can request such documents, and contact information for further assistance; or</p> <ul style="list-style-type: none"> <li>• If the servicer concludes that no error occurred, provide the borrower with written notification that includes a statement of reasons as to why the servicer believes that no error occurred, a statement of the borrower's right to request documents relied upon by the servicer in reaching its decision and how the borrower can request such documents, and contact information for further assistance such as follow up questions;</li> </ul>	
Standard for Investigation	Reasonable	N/A
Exceptions to Duty to Investigate Errors/Respond to Inquiries	<ul style="list-style-type: none"> <li>• The borrower did not provide sufficient information to investigate the alleged error (<i>e.g.</i>, if the servicer cannot determine what error the borrower is alleging)</li> <li>• The alleged error is substantially the same as a previously-submitted alleged error for which the servicer has complied with the applicable error resolution provisions unless the borrower provides new, material supporting information.</li> </ul>	<p>The borrower makes a frivolous or irrelevant inquiry that:</p> <ul style="list-style-type: none"> <li>• does not pertain to the borrower or the borrower's account;</li> <li>• does not pertain to any standard servicer duty;</li> <li>• seeks information about the servicer's financial data, personnel, trade secrets or other confidential information; or</li> <li>• requires the servicer to review lengthy, mostly irrelevant text to find a valid inquiry</li> </ul>

	In these situations, the servicer may terminate the error resolution process by notifying the borrower in writing not later than five business days of making its determination.	
Servicer Rights	<ul style="list-style-type: none"> <li>• Request supporting documentation from borrower so long as it is not a condition of investigating the alleged error or concluding no error has occurred because the borrower failed to provide any requested documentation</li> <li>• For errors subject to the standard 30 day (excluding weekends and holidays) investigation timeframe, extend the investigation by 15 days (excluding weekends and holidays) if servicer notifies borrower of the extension and reasons for the delay before the end of the 30 days (excluding weekends and holidays) period, or the end of the designated response time frame for the type of error).</li> </ul>	For inquiries subject to the standard 30 day (excluding weekends and holidays) timeframe for responding, extend time period for responding to an inquiry by an additional 15 days (excluding weekends and holidays) if the servicer notify the borrower of the extension and the reasons for the delay before the end of the 30 day (excluding weekends and holidays) period (or a period provided in the regulation).
Post-Investigation	Upon borrower request, provide relevant documents to borrower without charge within 15days (excluding weekends and holidays).	