

LENDERS UPDATE™

ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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THE CFPB WARNS SERVICERS

Today, February 11, 2013, the Consumer Financial Protection Bureau (CFPB) issued its first Bulletin of the year, CFPB Bulletin 2013-01. Through its enforcement activities and from public feedback the CFPB noted significant servicing complications which occurred in the last year due to servicing transfers. Some of these transfers have involved troubled loans in the modification process. As a result, the CFPB will focus its activities on servicing transfer related problems. This Bulletin advises servicers of their legal obligations to protect consumers during loan transfers.

The Bulletin stresses three areas of concern:

- *How the servicer has prepared for the transfer of servicing rights to ensure that there is no unnecessary disruption to consumers. Further, how a new servicer responds to consumer inquiries and complaints after the transfer.*

- *How the new servicer handles files it receives*, with particular emphasis on documents which are not handed over which require the home owner to restart the loss mitigation process.
- *Which policies servicers have in place to prevent harm to borrowers involved in loss mitigation.* The Bureau feels that loan modification programs are those of the owners of the loan not the servicers. Therefore, it should not matter who is servicing the loans. If an agreement has been reached or is in the process on a loan modification, these plans should be honored by the new servicer.

The Bulletin reminds servicers of the new servicing rules announced in January of this year which will go into effect next January.

Statements from the Federal Housing Finance Agency and the US Department of Housing and Urban Development in support of this policy accompanied this Bulletin.

The full Bulletin can be found on the Bureau's website under "Press Releases" or under "Guidance."

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ALT & ASSOCIATES provides regulatory, compliance, operational advice and transactional assistance, as well as litigation representation, to the financial services industry. Over the past three decades, members of the firm have represented Institutional Lenders and Mortgage Bankers and Brokers in all aspects of their operations.

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