

\$25 Billion State Attorneys General Mortgage Servicing Settlement FAQ

What is it and what does it do?

The settlement between the Maryland Office of the Attorney General, the Department of Labor, Licensing, and Regulation's Office of the Commissioner of Financial Regulation, the Federal government, and the five leading bank mortgage servicers is a \$25 billion dollar settlement, providing about \$40 billion in benefits to homeowners nationwide, which is expected to bring close to \$1 billion of benefits to Maryland. The settlement was reached in response to a nationwide epidemic of foreclosure abuses and unacceptable mortgage servicing practices, including those known as "robo-signing."

The money will be used for:

- Individual payments to borrowers who were victims of these banks' unfair servicing practices and were foreclosed upon between January 1, 2008 and December 31, 2011;
- Loss mitigation programs, such as loan modifications for homeowners with loans serviced by the five big banks who are behind on or very likely to soon fall behind on their mortgage payments (including interest and principal reductions), forbearance plans, and short sales;
- Refinancing for homeowners with loans owned and serviced by the five big banks who are current in their payments but who owe more than their homes are worth; and
- Housing counseling and other state-level foreclosure prevention and housing programs.

The settlement also includes comprehensive reform of mortgage loan servicing practices to ensure these banks comply with the agreement and do not engage in unfair servicing practices again. Strong, court-backed enforcement mechanisms are included in the settlement, including significant penalties for banks that don't comply. An independent monitor will ensure the banks comply with the terms of the settlement, including the new servicing standards.

This settlement holds the five big banks accountable for their wrongdoing on robo-signing and mortgage servicing. It is a first step. There will be other enforcement actions addressing other areas of serious concern.

What doesn't it do?

The settlement does NOT release any of these banks from any criminal liability for any misconduct.

The settlement does NOT prevent an individual homeowner or group of homeowners from suing any bank or other lender.

The settlement does NOT prevent investigations or lawsuits by the Attorney General's Office and/or the Commissioner of Financial Regulation relating to fair lending, the securitization of mortgages, or other fraud not related to the origination or servicing of loans.

Which five bank mortgage servicers are involved in this settlement?

Wells Fargo, Bank of America, Citi, JP Morgan Chase and Ally Bank/GMAC, the nation's largest private mortgage servicers.

What is mortgage servicing and how do I know who services my loan?

A mortgage servicer collects monthly payments, administers your loan, and handles the foreclosure when you miss mortgage payments. The entity that you make your monthly payment to is your mortgage servicer. If you make your monthly payment to Wells Fargo, Bank of America, Citi, JP Morgan Chase or Ally Bank/GMAC, then that bank is your mortgage servicer – it services your loan.

Your mortgage servicer may be different from who actually owns your loan. Some, but not all, of the mortgages serviced by these five banks are also owned by them.

How do I know if I am eligible for some form of relief under this settlement?

If your loan is serviced by one of the five banks mentioned above you may be eligible for relief. Sometimes a bank services a loan but the loan is owned by another entity. Some of the relief provided by the settlement depends on who owns the loan.

If your loan is owned by Fannie Mae or Freddie Mac, but serviced by the five mortgage servicers named above, you are NOT eligible for loan modification or refinancing under this settlement. Loans that are owned by Fannie Mae or Freddie Mac are not eligible for principal reduction through the settlement as a result of positions taken by their federal regulator FHFA.

However, you may be eligible for other forms of assistance. Talk to a nonprofit housing counselor to learn more about what assistance may be available to you. To find a nonprofit housing counseling organization near you, call 1-877-462-7555 or visit www.mdhope.org.

How do I know if my loan is owned by Fannie Mae or Freddie Mac?

You may visit the following websites to learn if your loan is owned by either Fannie Mae or Freddie Mac:

- www.fanniemae.com/homeaffordable
- www.freddiemac.com/avoidforeclosure

If I am eligible for relief under the settlement what is the benefit to me?

If your loan is serviced by Wells Fargo, Bank of America, Citi, JP Morgan Chase, or Ally Bank/GMAC, you *may* be eligible for one of the following:

- If you lost your home to foreclosure from January 1, 2008 through December 31, 2011 and suffered servicing abuse, you *may* qualify for a cash payment estimated to be between \$1,000 and \$2,000. (If you are potentially eligible for this assistance, you will receive a claim form in the mail.)
- If you are behind or likely to soon fall behind on your mortgage, you *may* be eligible for a principal reduction or other forms of assistance.
- You may also be eligible for other forms of assistance including short sales, deficiency waivers, and similar services where available.
- If you are making your mortgage payments but your home is worth less than the outstanding balance of your mortgage, you *may* be eligible for refinancing to a lower interest rate.

If I am not eligible for individual relief under the settlement how does the settlement benefit me?

For all Marylanders, including those whose loans are serviced by other banks or lenders, the settlement provides funds that can be used to support housing counseling generally, neighborhood stabilization projects, and similar activities in the State. Additionally, all Marylanders benefit from reduced foreclosures, stabilizing home values and the new mortgage servicing standards designed to ensure that all consumers – whether they own or rent their home – are treated fairly.

If you think you may qualify for one of the programs available through the settlement, remember that the final requirements for the programs that will be available under the settlement are still being worked out, so the availability of relief under one of these programs will take some time.

How are these standards different from what servicers are already supposed to be doing?

Before this action, there were NO specific servicing standards in place that the banks were required to follow. The new standards are designed to prevent mortgage servicers from engaging in improper servicing practices. The standards require the five big banks to offer loss mitigation to borrowers as alternatives to foreclosure, before pursuing a foreclosure. They also increase the transparency of the loss mitigation process, impose timelines to respond to borrowers, and restrict the unfair practice of “dual tracking” where a foreclosure is initiated despite the borrower’s engagement in loss mitigation. They also incorporate protections for military personnel and provide guidelines before forced-placed insurance is imposed.

What happens if the servicers do not comply with the standards or other settlement obligations?

The five banks are subject to a federal court order enforceable by a federal judge. Compliance with the standards can ultimately be enforced through the court process. In addition, a special independent monitor will oversee the banks, issue periodic reports, and identify any potential violations. If the five banks fail to remedy violations, they will be subject to civil penalties. Federal agencies, state attorneys general, and bank regulators can enforce compliance if there are violations the banks do not fix promptly. The settlement also builds in incentives designed to ensure prompt compliance, including a large monetary penalty if the banks do not meet targets for distributing the benefits required by the settlement on time.

What can I do now?

It will take some time for the relief offered through this settlement to become available to borrowers. If you are behind in your mortgage or concerned that you may fall behind, **DON'T WAIT**. There are trained nonprofit housing counselors who can assist you now, free of charge, and help you get the relief offered through the settlement. Call Maryland HOPE at 1-877-462-7555. They will put you in touch with a housing counselor in your area. We urge you to contact a housing counselor. Your housing counselor will assist you in dealing with the banks.

The banks also have established toll-free numbers for you to call, listed below. If you contact a housing counselor first, they may be able to assist you with making this call.

- **Wells Fargo:** **1-800-288-3212**
- **Bank of America:** **1-877-488-7814**
- **Citi:** **1-866-272-4749**
- **JP Morgan Chase:** **1-866-372-6901**
- **Ally Bank/GMAC:** **1-800-766-4622**

As we learn more details about the eligibility requirements for the programs and relief available through the settlement, we will post it at www.oag.state.md.us, www.dllr.state.md.us, and www.mdhope.org. Further details also will be provided, as they develop, at www.NationalMortgageSettlement.com.

DON'T BE A VICTIM! BEWARE OF SCAMS!

If someone promises to assist you and offers guaranteed results or a loan modification for a fee, it is likely a scam. *Don't Pay, Walk Away!* Instead, find a nonprofit housing counseling organization near you by calling 1-877-462-7555 or by visiting www.mdhope.org.