FOR IMMEDIATE RELEASE:

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National Association of Consumer Advocates (NACA) released the following statement in response to the Consumer Financial Protection Bureau's (CFPB) publication of new rules on mortgage servicing.

WASHINGTON, D.C. – The CFPB’s new mortgage servicing rules represent an important step toward reigning in abuses that continue to plague the mortgage servicing industry. The rules establish national servicing standards that improve how servicers handle consumer accounts by mandating a timely application of monthly mortgage payments and giving homeowners more advance warning before a rate hike kicks in. The CFPB’s new rule also implements the error resolution provisions of the Dodd-Frank Act, which include loss mitigation and a “catch-all” provision so that servicers are required by homeowners to correct all types of errors rather than a limited list.

We also commend the CFPB for restricting “dual track,” a common servicer practice reported by NACA attorneys—when the servicer advances with a foreclosure while at the same time working on loss mitigation efforts - that leads to unnecessary and preventable foreclosures. The new rules require servicers who choose to do loan modifications to finish a review before starting a foreclosure.

However, the CFPB’s rules only partly address the “dual-track” problem. For instance, there would be better protection for homeowners if the CFPB required that ongoing foreclosures be paused during loan modification reviews. The rules also provide significantly less protection to homeowners facing non-judicial foreclosure procedures than homeowners in judicial foreclosure states. The rules require a homeowner to complete an application for an alternative to foreclosure at least 37 days before his or her house is scheduled to go on sale, but many homeowners in non-judicial states will not know the sale date until after the 37th day deadline or he or she may not know when the 37th day will be, which could provide an unfair advantage to the servicer.
NACA also believes that the new rules do not go far enough to establish meaningful protections for those struggling to save their homes. The failure to require meaningful loss mitigation ignores established protections under the current Home Affordable Modification Program (HAMP), which expires soon.

“We urge the CFPB to continue to consider improvements in preventing dual track and requiring affordable loan modifications to qualified homeowners that benefits investors both through the interagency guidance process, and on its own,” said NACA’s Executive Director, Ira Rheingold.

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The National Association of Consumer Advocates (NACA) is a nonprofit association of consumer advocates and attorney members who represent hundreds of thousands of consumers victimized by fraudulent, abusive and predatory business practices. As an organization fully committed to promoting justice for consumers, NACA’s members and their clients are actively engaged in promoting a fair and open marketplace that forcefully protects the rights of consumers, particularly those of modest means.