

Part I

Living with the New CFPB Mortgage Servicing Rules

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CFPB's New Mortgage Servicing Rules

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Snapshot

- Released by CFPB on January 17, 2013
- Will take effect on January 10, 2014
- Amend Truth in Lending Act (TILA) Reg. Z:
 - Reg. Z servicing rules apply to servicer, creditor that still owns loan, and any assignee that purchased loan and still owns it; only one must comply, but each held liable if none comply
 - Exception: Prompt payment crediting rules apply only to servicers
- Amend Real Estate Settlement Procedures Act (RESPA) Reg. X
 - Reg. X servicing rules apply only to servicers

Snapshot (cont'd)

- Similar requirements to those of the February 2012 (Attorneys General) National Mortgage Settlement
 - Establish uniform process for ensuring that borrowers are made aware of their options before any foreclosure begins
- Smaller servicer exemptions for smaller community banks servicing less than 5,000 loans in their own or their affiliates' portfolios (CFPB believes this will cover 99% of community banks and credit unions)
 - Special exemptions are written into the provisions related to periodic billing statements, force-placed insurance (in certain circumstances), general servicing policies, early intervention, and loss mitigation.

Nine Major Topics:

1. Periodic Billing Statements
2. Interest Rate Adjustment Notices for ARM Loans
3. Prompt Payment Crediting and Payoff Statements
4. Force-Placed Insurance
5. Error Resolution Procedures and Requests for Information
6. General Servicing Policies, Procedures and Requirements
7. Early Intervention
8. Continuity of Contact
9. Loss Mitigation

1. Periodic Billing Statements

- **Timing**
 - Within 4 days: Billing statements must be sent within “a reasonably prompt time” after the end of the billing cycle – generally not later than 4 days of the close of the grace period.
- **Required Information**
 - The rules sets out a litany of information which must be provided in the statement and describes exactly how and in what format it should be disclosed to the borrower, including:
 - Payments due
 - Payments made
 - Fees imposed
 - Transaction activity
 - Application of past payment
 - Contact information for servicer and housing counselors
 - Info regarding delinquencies

1. Periodic Billing Statements

- **45 Day Delinquent Alert**
 - When the loan is more than 45 days delinquent, the statement specifically alerts the borrower to the potential for foreclosure
- **Sample Forms**
 - Model forms H-30 (A), (B), (C) and (D)
- **Exceptions**
 - Servicers using coupon books
 - Small servicers

2. Interest Rate Adjustment Notices for ARM Loans

- **Time Frames:** required for notices of upcoming interest rate adjustments on ARM loans:
 - First rate adjustment notice must be delivered to borrower 210 to 240 days prior to first adjusted payment due date (whether or not rate adjustments results in payment change)
 - Subsequent rate adjustment notices 60 to 120 days prior to new payment due date
- **Annual Notices**
 - No longer required for rate changes that do not result in a payment change

2. Interest Rate Adjustment Notices for ARM Loans

- **Required Information In Notices:**
 - Current and new interest rates and payment amounts
 - Good faith estimate of new payment amount based on calculation using timely index (no more than 15 business days prior to disclosure)
 - Index or formula used for calculating the new rate and payment
 - Due date of first new payment
 - Available alternatives to paying at the new adjusted rate (refinancing, payoff, loan modification, and forbearance)
- **Sample Forms**
 - Model forms H-4(D)(3) and (4)

3. Prompt Payment Crediting and Payoff Statements

- **Same Day Credit**
 - Must credit borrower's account the day payment is received
- **Partial Payments-** If payment less than full amount:
 - Payment must be held in suspense account then applied to borrower's account once suspense account contains sufficient funds
 - When funds in suspense account are sufficient to cover principal, interest, and escrow, they must be credited promptly to borrower's account, even if amount in suspense account insufficient to cover late fees or other servicer fees
 - Must be disclosed on statement

3. Prompt Payment Crediting and Payoff Statements

- **Payoff Statements**
 - Must be provided within reasonable time of borrower's written request (no more than 7 business days); exception for loans in bankruptcy, foreclosure, natural disasters
- **Payment Adjustment Notices**
 - Must be provided 60-120 days before a corresponding change in payment.
 - Exceptions:
 - "Grandfathered ARMs" originated before January 10, 2015 with look-back periods less than 45 days
 - ARMs adjusting every 60 days or more frequently
- **Sample Forms**
 - Model forms H-4(D)(1) and (2)

4. Force-Placed Insurance

The new rules effectively eliminate force-placed insurance.

- **Non-payment Cancellation Insufficient**
 - To force-place hazard insurance, servicer must have a reasonable basis to believe borrower's policy was cancelled for reasons other than non-payment, or that property is vacant.
- **Escrow for Non-payment**
 - If borrower's policy was cancelled for non-payment, servicer cannot force place insurance but must instead pay the premium from the borrower's escrow account funds. If those funds are insufficient, servicer must advance funds on the borrower's behalf to the borrower's insurer. Servicer may require reimbursement from the borrower. Small servicer exception for this provision.

4. Force-Placed Insurance

- **Notices – Servicer must:**
 - Send first written notice to borrower 45 days prior to charging any fee/ premium for the insurance – *Model Form MS-3(A)*
 - Send second written “reminder” notice at least 30 days after first notice, and 15 days prior to charging fee/premium – *Model Form MS-3(B) and (C)*
 - Provide precise information (as described in rules) in both notices
 - Not have received verification that borrower has hazard insurance in place for period of 15 days after reminder notice.
- **Cancellation**
 - If borrower provides proof of (overlapping) insurance, force-placed policy must be canceled within 15 days, and all premium fees refunded
- **Unreasonable Charges**
 - Any charge related to force-placed insurance must be bona fide and reasonable

5. Error Resolution Procedures and Requests for Information

Rules cover a list of enumerated errors plus a catch all provision for “any other error relating to the servicing of a borrower’s mortgage loan.” Provisions do not apply to errors related to origination, underwriting, securitization, or transfer of the loan.

5. Error Resolution Procedures and Requests for Information

- **Strict Requirements** – after receiving written notice of any type of error or information request, servicers must:
 - Acknowledge in writing borrower’s notice of error or request for information within 5 days of receipt
 - Provide requested information, or investigate/correct error and notify borrower of result, within 30 to 45 days (15 days extension to 45 days generally allowed, except for payoff and identity of loan assignee requests)
 - If determination that no error occurred, notify borrower of reasons for determination and inform borrower how to request any supporting documentation
 - If the borrower is only seeking information about the owner or assignee of the mortgage, the requested information must be provided in 10 days.
 - If investigation uncovers different error than that specified in written notice, correct that error and notify borrower.

5. Error Resolution Procedures and Requests for Information

- **Exceptions**
 - For duplicative, overbroad, or untimely requests, or requests for confidential/proprietary info
- **Fees**
 - Servicers may not charge a fee for these services or require any other payment on the account
- **Address for Notices/Requests**
 - Servicers may establish an address for borrowers to submit written notices of error or information requests

6. General Servicing Policies Procedures and Requirements

- **Policies and Procedures:** Servicers must establish reasonable (given the size, scope and nature of its operations) policies, procedures and requirements to ensure compliance with rules' objectives:
 - Providing timely information to borrowers
 - Evaluating loss mitigation applications
 - Oversight of service providers
 - Transfer of information during servicing transfers
 - Informing borrowers of error resolution procedures

6. General Servicing Policies Procedures and Requirements

- **Records-** Servicer must:
 - Maintain records for one year after discharge or servicing transfer of any loan.
 - Be able to compile full servicing file within 5 days
- **Small Servicer Exemption**
- **Private Right of Action**
 - Rule does not create any private right of action for borrowers.

7. Early Intervention

New rules put on us servicers to be proactive about loss mitigation, contacting homeowners who are behind on their payments long before foreclosure begins.

- **Live Contact**
 - Must made good faith effort (more than one attempt) at “live contact” (telephone or in person meetings) with borrowers to explain loss mitigation options before borrowers are 36 days delinquent
- **Written Notice**
 - Must send written explanation of loss mitigation options before borrowers are 45 days delinquent.
- **Model Notices**
 - Model Forms MS-4(A), (B), and (C)
- **Small Servicer Exemption**

8. Continuity of Contact

- **“Assign Personnel”:** Services must maintain reasonable procedures to assign specific loss mitigation personnel to borrowers before 45th day of delinquency. Assigned personnel must be:
 - Available via telephone
 - Able to provide accurate information about loss mitigation options and status of loss mitigation application, and timely retrieve all information borrower submitted to servicer
 - Accessible – borrower must have access to designated personnel until the borrower has made two consecutive payments in accordance with the terms of any loss mitigation agreement.
- **No single point of contact requirement**
 - Dropped from National Mortgage Settlement
- **Small Servicer Exemption**

9. Loss Mitigation

Very detailed, comprehensive and burdensome rules. Goal is to ensure that every borrower has had a meaningful chance to explore alternatives prior to foreclosure.

- **Loss mitigation application:** Borrowers must be given prompt and clear information about loss mitigation options available and how to apply. Servicers must:
 - Acknowledge in writing any loss mitigation application within 5 days of submission by borrower. In acknowledgement, tell borrower whether application is complete or what additional information is required.
 - Exercise reasonable diligence in obtaining any information necessary to complete loss mitigation application.

9. Loss Mitigation

- **Foreclosure and loss mitigation:** Servicers must process borrower's application expediently and may not begin foreclosure until loss mitigation process has concluded ("dual tracking" is restricted – servicers cannot evaluate borrowers for loan modification or other alternatives while preparing to foreclose on them):
 - May not initiate foreclosure until loan is more than 120 days delinquent
 - May not initiate foreclosure where borrower has loss mitigation application pending (irrespective of 120 day rule)
 - Foreclosure may only begin once servicer has been informed that borrower is:
 - Not eligible
 - Borrower rejects servicer's loss mitigation offer
 - Borrower fails to comply with terms of loss mitigation offer.

9. Loss Mitigation

- **Foreclosure and loss mitigation cont'd**
 - If borrower submits complete loss mitigation application after foreclosure has already begun, and application is received at least 37 days before foreclosure sale, servicer must ensure that foreclosure counsel does not move for foreclosure judgment or order of sale until loss mitigation process has concluded.
 - Borrower's application must be reviewed for all available loss mitigation options, and a determination must be made within 30 days.

9. Loss Mitigation

- **Denial and Appeal**
 - **Written decision/explanation**
 - Must provide borrower with written decision, including explanation of reasons for denying borrower for any loan modification option offered by an owner or assignee of a mortgage loan, and any inputs used to make a net present value calculation to the extent such inputs were basis for denial.
 - **Right to appeal**
 - For any denial for loan modification programs, if loss mitigation application was received 90 days or more before a scheduled foreclosure sale, and borrower appealed within 14 days of denial.
 - **Prompt completion**
 - Servicer has 30 days to complete the appeal process.

CFPB's Servicing Rules and Bankruptcy

- CFPB received many questions from servicers, consumers, and bankruptcy trustees about how the new servicing rules intersect with bankruptcy law
- On October 15, 2013, CFPB published an Interim Final Rule, addressing these concerns
- Exempts servicers from the early intervention and periodic statement requirements when borrowers enter bankruptcy

CFPB's Servicing Rules and Bankruptcy (cont.)

- CFPB's new servicing rules originally provided servicers "flexibility" when drafting the periodic statements and communicating with borrowers in bankruptcy
 - *E.g.*, including a message in periodic statements about the bankruptcy and alternatively presenting the amount due to reflect payment obligations determined by the individual bankruptcy proceeding
- Rules provided little guidance to assist servicers with their compliance efforts

New Rules Created Uncertainty

- **Key concern -- how to communicate with borrowers in light of their bankruptcy status**
 - Some consumer groups felt it was essential that statements be provided to consumers in bankruptcy to ensure they were informed on the status of their loans and have a record of the account
 - Unclear how to fulfill the servicing rules' requirements in a way that did not confuse borrowers with regard to their status in bankruptcy and explain that servicers were not attempting to collect on accounts
 - Servicers faced substantial legal burdens to determine when and how bankruptcy law applied to the periodic statement requirements and early intervention efforts

New Rules Created Uncertainty (cont.)

- **Concerns about litigation risks**
 - Defending against claims that the communications required by the rules violated the automatic stay or discharge injunction, or
 - Defending against claims that the debtor's bankruptcy was not an excuse for a servicer's failure to comply with the CFPB's rules

New Rules Created Uncertainty (cont.)

- Bankruptcy trustees raised similar concerns about the likelihood of servicers providing information that would confuse borrowers/debtors, debtors' attorneys, and even courts and trustees
 - Noted a litany of concerns from sending a periodic statement designed to communicate information in the Chapter 13 context
 - Drafting statements under the rule that did not recognize the unique character of the Chapter 13 treatment of mortgages in default
- How would servicers comply with rules and avoid consumer confusion in a Chapter 13 case when listing the "amount due" and "payment due date" when the case has different pre-petition arrearage cure payments and post-petition monthly payments, which may be due on different dates?

CFPB Issues Exemptions

- On Oct. 15, 2013, CFPB published an Interim Final Rule, addressing these concerns
 - Concluded that further analysis and study was necessary to resolve the bankruptcy issues that could not be completed before the new servicing rules became effective on Jan. 10
- Exempts servicers from the early intervention and periodic statement requirements when borrowers enter bankruptcy
 - Recognized that interactions between the servicing rules and bankruptcy law requirements can be highly varied and complex
 - Acknowledged that the Bankruptcy Code itself provides a robust set of consumer protections for debtors, including oversight of debt repayment plans, where applicable

Exemption Triggers and Resuming Compliance

- Exemptions apply once bankruptcy petition is filed until:
 - Case is dismissed or closed; or
 - Borrower receives a discharge
- Must resume sending periodic statements within a “reasonably prompt time” after the next payment due date following the earliest of dismissal, closure, or discharge
- Servicers are not required to resume compliance in a manner that would be inconsistent with applicable bankruptcy laws or a court order in a bankruptcy case

CFPB Leaves the Door Open for Future Changes

- Bureau did not take any position on whether the early intervention efforts or periodic statements generally may violate an automatic stay or discharge injunction
 - Encouraged servicers who communicate with borrowers in bankruptcy about loss mitigation options to continue such tailored communications so far as bankruptcy law permits
 - Encouraged servicers who send tailored periodic statements or communications to consumers in bankruptcy to continue these communications so far as bankruptcy law permits
- Bureau will continue to examine this issue and may reinstate an early intervention and periodic statement requirement with respect to borrowers in bankruptcy
 - Will not reinstate any such requirement without notice and comment rulemaking and an appropriate implementation period

Part I (cont.)

Living with the New CFPB Mortgage Servicing Rules

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PERIODIC STATEMENTS AND BANKRUPTCY

Bankruptcy Statements – How Did We Get Here?

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What Happened?

A January 2013 final regulation required periodic statements, with no bankruptcy exception, beginning in January 2014.

- The regulation requires periodic statements to include:
- The amount due, shown more prominently than other disclosures.
- Any payment amount past due.
- The total of all payments received since the last statement, including the amount sent to any suspense or unapplied funds account.

If delinquent the following are also required:

- The date the consumer became delinquent.
- Possible risks, such as foreclosure, and expenses, that may be incurred if the delinquency is not cured.
- An account history showing the amount remaining past due from 6 billing cycles.
- The amount needed to bring the account current.

The CFPB Explained That Statements Are Important To Bankruptcy Debtors

- “[T]he Bureau understands the concerns about the complications involved in addressing consumers in bankruptcy . . . but believes that the complexities of this scenario necessitate the information in the periodic statement being provided to the consumer.”
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- “[T]he Bureau believes that consumers likely would be perplexed if they were to receive, on a periodic basis, statements which contained information about their loan terms and outstanding balance but did not include any information about payments.”

The Preamble Spoke Favorably of Bankruptcy Disclaimers

- “The final rule would allow servicers to make changes to the statement as they believe are necessary when a consumer is in bankruptcy; such servicers may include a message about the bankruptcy and alternatively present the amount due to reflect the payment obligations determined by the individual bankruptcy proceeding.” This is in the preamble but not in the regulation.
- “[S]ervicers may include a statement such as: ‘To the extent your original obligation was discharged, or is subject to an automatic stay of bankruptcy under Title 11 of the United States Code, this statement is for compliance and/or informational purposes only and does not constitute an attempt to collect a debt or to impose personal liability for such obligation. However, Creditor retains rights under its security instrument, including the right to foreclose its lien.’” This is in the preamble but not in the regulation.

The Commentary Provides Limited Flexibility

- A consumer may not opt out of receiving periodic statements altogether.
- The clear and conspicuous standard does not prohibit adding to the required disclosures, as long as the additional information does not overwhelm or obscure the required disclosures.
- Nothing in § 1026.41 prohibits a servicer from including additional information.
- If a required item is not applicable to the loan, it may be omitted. For example, if there is no prepayment penalty, the prepayment penalty disclosures need not be provided.

After the January 2013 Final Regulation

- Servicers advocated for a bankruptcy exemption.
- In a September 13, 2013 revision to its regulation, the CFPB did not address bankruptcy.
- “The NACTT writes to bring your attention to a fundamental disconnect between the Monthly Billing Statement Requirements under Regulation Z and the United States Bankruptcy Code.”
October 1, 2013.

October 15 Interim Final Regulation

- Periodic statements are not required once a bankruptcy petition is filed.
- With respect to any portion of the mortgage debt that is not discharged, a servicer must resume sending periodic statements within a reasonably prompt time after the next payment due date that follows the earliest of the case being dismissed, closed, or the debt being discharged.
- The requirement to resume periodic statements does not require a servicer to communicate with a consumer in a manner inconsistent with applicable bankruptcy law or a court order in a bankruptcy case. To the extent permitted by such law or court order, a servicer may adapt the requirements of § 1026.41 in any manner believed necessary.
- If the court reinstates a previously dismissed case, reopens the case, or revokes a discharge, the servicer is again exempt.

Model Forms Require Testing

- “Any model form issued pursuant to [§ 1031(b)] shall be validated through consumer testing.” Dodd-Frank Act § 1031(b)(3).
- Tested forms stated:
 - “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.”
- Testing results did not discuss this.

Living with the CFPB Mortgage Servicing Rules

Bankruptcy Statements – Where Do We Go
From Here?

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Bankruptcy Statements - Where Do We Go From Here?

- What are the rules for sending bankruptcy statements?
- How to build a bankruptcy statement from the CFPB sample template.
- Suggested responses to the CFPB's solicitation of comments.

What Are The Rules for Sending Bankruptcy Statements?

- Can servicers send periodic monthly statements?
- Why would a servicer want to send periodic monthly statements?

Rules For Sending Bankruptcy Statements – The Two-Pronged Approach.

- The two-pronged approach:
 - The **content** of a communication to a bankruptcy-protected consumer must be limited to information the consumer needs, presented in a way that does not pressure the debtor or imply the debtor must take some action.
 - The **circumstances** must support a reasonable conclusion that the particular consumer needed the information.
 - Testing for violations of the automatic stay and/or the discharge injunction.

What Content Is Permissible Under the Bankruptcy Code?

- “[M]ere requests for payment and statements simply providing information to a debtor are permissible communications that do not run afoul of the stay.”
 - *Zotow v. Johnson (In re Zotow)*, 432 B.R. 252, 258 (9th BAP, 2010).
- “[T]he creditor may not use a monthly statement to collect anything more than current payments.”
 - *In re Henry*, 266 B.R. 457, 472 (Bankr. C.D. CA, 2001).

Under What Circumstances Can A Statement Be Sent?

- Do not send statements after a discharge unless there is a reason to do so.
- Don’t send statements to consumers who have filed a statement of intention to surrender, unless they have requested statements or are making voluntary mortgage payments.
 - “After [the debtor] converted his case to chapter 7 and stated his intention to surrender the mortgaged property, . . . [he] no longer needed to know the status of the mortgage payments.”
 - *Connor v. Countrywide Bank, N.A. (In re Connor)*, 366 B.R. 133, 134-38 (Bankr. D. Haw. 2007).

Under What Circumstances Can A Statement Be Sent?

Chapter 7 Guidance:

- *In re Brown*, 481 B.R. 351-360-61 (Bankr. W.D. PA 2012). (Order of civil contempt entered for sending several monthly statements to a discharged customer.) (The statements did not include a bankruptcy disclaimer, and also contained a past due amount.)
- *In re Joens*, 2003 WL 22839822 at *2 (Bankr. N.D. Iowa 2003) (Statements including a bankruptcy disclaimer sent to debtors in a Chapter 7 case who stated their intent to surrender the home violated the automatic stay. “Only if a Chapter 7 debtor’s statement of intention indicates the intent to continue to make payments and retain property may a creditor continue to send monthly statements postpetition.”)

Under What Circumstances Can A Statement Be Sent?

Chapter 13 Guidance:

- Don’t send statements on trustee-pay-all or conduit plans – Limit statements to direct pay plans.
 - *In re Draper*, 237 B.R. 502, 506 (Bankr. M.D. Fla. 1999) (Statements reflecting the purported arrearage on the account, but with a bankruptcy disclaimer sent to a debtor in a Chapter 13 case violated the automatic stay because “[t]he only credible reason to send such invoices on a monthly basis is to try to collect payments from debtors protected by the automatic stay.” Debtor asked the servicer to stop sending statements.)

Under What Circumstances Can A Statement Be Sent?

Chapter 13 Guidance:

- *In re Cousins*, 404 B.R. 281, 287 (Bankr. S.D. OH 2009)(The consumer was damaged and the automatic stay violated when the lender sent a voluntary payment statement with a disclaimer to a chapter 13 debtor making payments through a conduit plan because the statement “has no purpose that the court can conceive except to collect the debt outside of the bankruptcy case. . . The fact is that statements containing conflicting information like those allegedly sent in this case may be confusing to a debtor. Although the document states that it is an account statement for informational purposes only, it also includes a ‘current balance’ and a payment coupon.”)

Disclaimers and the Ability to Stop Statements

- Disclaimers are not disclosures – there is no mandatory disclaimer language.
- Properly drafted informative communication does not require a disclaimer.
 - *In re Whitaker*, 2013 WL 2467932 (Bankr. E.D. Tn. 2013). (“While disclaimer language in a communication to a debtor who has received a discharge is always advisable, its absence does not automatically render the communication a *per se* violation of the discharge injunction.”)
- A disclaimer does not create a safe harbor.
 - *In re Cousins*, 404 B.R. 281, 288 (Bankr. S.D. OH 2009)(A “self-serving disclaimer” will not immunize a statement or other collection activity that violates the automatic stay.)
 - *In re Zotow*, 432 B.R. 252, 259 (9th BAP, 2010)(When evidence of harassment or coercion is present, a disclaimer on the communication is ineffective.)
- Virtually all approved statements explain how to request the statements be stopped.

Examples of Approved Statements.

Chapter 7 Examples:

- *In re Whitaker*, 2013 WL 2457932 at *8 (Bankr. E.D. Tenn. 2013) (Court approved a series of monthly statements sent to discharged consumers. The statements only listed the principal balance, escrow balance and tax advances. The Court noted that the statement did “not contain a demand for payment, it also does not indicate that any amount is due.”)
- *Pearson v. Bank of America*, 2012 WL 2804826, at *6 (W.D. VA. July 10, 2012) (Mortgage statement and HELOC statement with bankruptcy disclaimers and information on how to stop future statements did not violate the Chapter 7 discharge injunction even though the statements also provided “principal balances, estimated payments, payment instructions, information on how [the creditor] will post any payments made, and other remarks that could surely be construed, by themselves, as attempts to collect an already-discharged debt.” Looking at the entire content of the statement district court agreed with bankruptcy court that there was no violation of the discharge injunction, even though the debtors had filed a statement of intention to surrender their property.)

Example of Approved Statements.

Chapter 13 Example:

- *Schatz v. Chase Home Finance (In re Schatz)*, 452 B.R. 544, 549- 550 (Bankr. M.D. PA 2011)(Court approved sending a statement with the monthly payment amount, interest rate and principal balance to chapter 13 consumers.) (“The Statement at issue . . . does not state the amount as being past due nor does it demand payment immediately . . . nor does it contain a due date.”)

How to Build a Bankruptcy Statement from the CFPB Sample Template.

- Section 1026.41(d) of Regulation Z contains the CFPB's statement requirements.
- Three of the eight requirements impact the consumer protections afforded under the Bankruptcy Code.
 - The requirement to display the “Amount Due” more prominently than other disclosures on the page (including any bankruptcy disclaimer).
 - The requirement to include any payment amount past due in the “Amount Due.”
 - The requirement to include a delinquency notice for any consumer more than 45 days delinquent.

The “Amount Due” must be shown more prominently than any other disclosure on the page. (Section 1026.41(d)(1)).

CFPB's Sample Periodic Statement:

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

Alternative for Chapter 7 Consumers:

Account Number	1234567
Payment Date	04/01/2013
This Month's Payment	\$1,669.71

The “amount due” must be shown more prominently than any other disclosure on the page. (Reg. Z § 1026.41(d)(1)).

CFPB’s Sample Periodic Statement:

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

Alternative for Chapter 13 Consumers:

Account Number	12345678
Payment Date	04/01/2013
Post-Petition Monthly Payment Amount	\$1,789.71*

The mandatory explanation of the “amount due” must include “any payment amount past due.” (Reg. Z §§ 1026.41(d)(2)(i) – (iii)).

CFPB’s Sample Periodic Statement:

Explanation of Amount Due	
Principal	\$386.46
Interest	\$1,048.07
Escrow (Taxes and Insurance)	\$235.18
Regular Monthly Payment	\$1,669.71
Total Fees and Charges	\$410.00
Overdue Payment	\$2,259.42
Total Amount Due	\$4,339.13

Alternative for Chapter 7 Consumers:

Explanation of Payment Amount	
Principal	\$386.46
Interest* (See reverse)	\$1,048.07
Escrow (<<Taxes and Insurance>>)	\$235.18
Regular Monthly Payment	\$1,669.71
Total Fees and Charges	\$106.29
This Month's Payment	\$1,776.00
Outstanding Past Payment(s)	\$10,000.00
Total Unpaid	\$11,776.00

The mandatory explanation of the “amount due” must include “any payment amount past due.” (Reg. Z §§ 1026.41(d)(2)(i) – (iii)).

Alternative for Chapter 13 Consumers:

CFPB’s Sample Periodic Statement:

Explanation of Amount Due	
Principal	\$386.46
Interest	\$1,048.07
Escrow (Taxes and Insurance)	\$235.18
Regular Monthly Payment	\$1,669.71
Total Fees and Charges	\$410.00
Overdue Payment	\$2,259.42
Total Amount Due	\$4,339.13

Explanation of Post-Petition Monthly Payment Amount	
Principal	\$386.46
Interest* (See reverse)	\$1,048.07
Escrow (<<Taxes and Insurance>>)	\$235.18
Monthly Post-Petition Default Payment	\$20.00
Lender Advanced (<<Taxes>>)	\$100.00
Post-Petition Monthly Payment Amount	\$1,789.71
Explanation of Additional Post-Petition Amounts Outstanding	
Total Fees and Charges (A separate notice listing fees, expenses and charges will be filed and served, as appropriate)	
Default Order Balance	
Lender Advanced (<<Taxes>>)	\$1,000.00
Prior Post-Petition Monthly Payments Outstanding	\$3,000.00
Total Post-Petition Amounts Outstanding	\$4,000.00

How to Build a Bankruptcy Statement from the CFPB Sample Template.

- “Delinquency Information” must be provided to any consumer more than 45 days delinquent, either on the first page of the statement or on a separate statement including notification of possible risks such as foreclosure, and expenses that may be incurred. (Reg. Z §1026.41(d)(8)).

Delinquency Notice
<p>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.</p> <p><i>Recent Account History</i></p> <ul style="list-style-type: none"> • 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. <p>If You Are Experiencing Financial Difficulty: See back for information about mortgage counseling or assistance.</p>

Responding to the CFPB's Solicitation for Comments About Bankruptcy Statements.

- **What Statements Should Include? (Content Limitations) (1)**
- No element of the statement should refer to an amount as “due.”
- The most prominent element of the statement should be an appropriate bankruptcy disclaimer targeted to the consumer receiving the statement.
- The monthly payment amount should be the amount necessary to satisfy the current month's payment obligation only.

Responding to the CFPB's Solicitation for Comments About Bankruptcy Statements.

- **What Statements Should Include? (Content Limitations) (2)**
- Additional information regarding unpaid amounts should be presented in an informational manner only.
- The purposed “Delinquency Statement” described in section 1026.41(d)(8) should not be sent to bankruptcy-protected consumers.
- Any periodic statements sent to a bankruptcy-protected consumer should include prominently displayed instructions on how to contact the creditor/servicer to request that statements be stopped.

Responding to the CFPB's Solicitation for Comments About Bankruptcy Statements.

- **Circumstances Under Which Statements Should Not Be Sent. (1)**
- Periodic statements should not be required for any consumer during an active chapter 7 case, unless the consumer requests such statements.
- Periodic statements should not be required for any post-discharge chapter 7 consumer (who did not reaffirm the mortgage debt) unless the consumer requests statements, or continues to make voluntary monthly payments.
 - Periodic statements should not be required for consumers who file a statement of intention to surrender the property and who are not making voluntary payments, or have not requested statements.

Responding to the CFPB's Solicitation for Comments About Bankruptcy Statements.

- **Circumstances Under Which Statements Should Not Be Sent. (2)**
- Periodic statements should not be required for any consumer during an active chapter 13 case, unless the consumer is making maintenance payments directly to the creditor/servicer.
 - No periodic statements should be required for consumers in a trustee-pay-all (conduit) plan.
 - No periodic statements should be required if the consumer is treating the mortgage lien as unsecured.

Consumer Mortgage Coalition

August 28, 2013

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, N.W.
Washington, D.C. 20552

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Mr. Edward DeMarco
Acting Director
Federal Housing Finance Agency
Constitution Center
400 7th Street, S.W.
Washington, D.C. 20024

The Honorable Ben S. Bernanke
Chairman
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Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

The Honorable Debbie Matz
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

The Honorable Thomas J. Curry
Comptroller
Office of the Comptroller of the Currency
400 7th Street, S.W.
Mail Stop 3E-218
Washington, D.C. 20219

Re: Potential Safety and Soundness Risks for Consumer Mortgage Servicers
and Investors

Dear Messrs. and Madam:

The Consumer Mortgage Coalition (“CMC”), a trade association of national mortgage lenders, servicers, and service providers, writes to bring your attention to safety and soundness risks in the new consumer mortgage regulations, especially servicing regulations that will become effective in January 2014. As required by the Dodd-Frank legislation, the Consumer Financial Protection Bureau (“CFPB”) has released a series of new regulations that reach almost every aspect of the mortgage industry. In their current form, the regulations do not provide the clarity that the industry needs in order to provide otherwise eligible consumers with the credit they are seeking and the servicing they need. The industry has many unanswered requests for guidance. Attached are two lists of unanswered guidance requests the industry has submitted to the CFPB, one related to mortgage origination and the other to mortgage servicing, so you can see the scope of the regulatory uncertainty the pending regulations will cause across all mortgage operations.



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October 1, 2013

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, N.W.
Washington, D.C. 20552

**Re: Conflict Between Monthly Billing Statement Requirements
Under Regulation Z and the United States Bankruptcy Code**

Dear Director Cordray:

The National Association of Chapter Thirteen Trustees ("NACTT") is a non-profit, educational organization composed of consumer bankruptcy professionals. Its membership represents a broad spectrum of participants in the consumer bankruptcy process including debtors' attorneys, creditors' representatives, and Chapter 13 standing trustees. The NACTT's voting membership is composed of private trustees appointed by the U.S. Department of Justice, Executive Office of the U.S. Trustee, *see* 28 U.S.C. § 586, and in the federal judicial districts of North Carolina and Alabama by the judiciary. Approximately 98% of the standing Chapter 13 trustees in the United States are voting members of the NACTT. The NACTT's Board of Directors has directly authorized Margaret Burks, Chapter 13 Standing Trustee for Cincinnati, Ohio, and David Peake, Co-Chair of the NACTT Mortgage Committee, to prepare and submit this letter.

The NACTT writes to bring your attention to a fundamental disconnect between the Monthly Billing Statement Requirements under Regulation Z and the United States Bankruptcy Code.

NATIONAL ASSOCIATION OF CHAPTER 13 TRUSTEES
One Windsor Cove, Suite 305 • Columbia, SC 29223
info@nactt.com • www.nactt.com

SUMMARY OF FINDINGS:

Design and Testing of Mortgage Servicing Disclosures

August 2012

SUBMITTED TO:
Consumer Financial Protection Bureau

SUBMITTED BY:
 ICF International
9300 Lee Highway
Fairfax, VA 22031

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Design and Testing of Mortgage Servicing Disclosures

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Fairfax, VA 22031

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Executive Summary

Background

In July 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203, approved July 21, 2010) (the “Dodd-Frank Act” or the “Act”) in the wake of the greatest financial crisis since the Great Depression. The mortgage meltdown was the epicenter of this crisis. The serious and widespread deficiencies in the mortgage market damaged American homeowners, financial institutions, and the wider economy.

In its investigation into the causes of the financial crisis, the U.S. House of Representatives found that mortgage servicing in particular has been marked by pervasive and profound consumer protection problems.¹ Consequently, the Dodd-Frank Act sets forth a number of new protections for consumers in the servicing of their mortgage loans. Among these new protections are new disclosures that will help provide consumers with comprehensive and comprehensible information so they can better manage their obligations and avoid unnecessary problems:

- Section 1418 of the Dodd-Frank Act amended the Truth in Lending Act (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 (ARM) 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. Additional discretionary authority in the Dodd-Frank Act permits the extension of the Act’s hybrid ARM notice requirements to ARMs that are not hybrid ARMs.² The Consumer Financial Protection Bureau (CFPB) intends to propose that the notice be required of all ARMs.
- Section 1420 of the Act amended 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. It also required the Federal Reserve Board (the Board) to develop standard model form(s) for the required disclosure, taking into account that the statements may be transmitted in hard copy or electronically.³
- Section 1463 of the Act amended the Real Estate Settlement Procedures Act of 1974 (RESPA) by adding a new requirement that a servicer for a federally related mortgage must send, via first class mail, two notices to the consumer before charging the consumer for force-placed insurance.

¹ See H. Rep. No. 111-94, at 54-56 (May 4, 2009), *available at* <http://www.gpo.gov/fdsys/pkg/CRPT-111hrpt94/pdf/CRPT-111hrpt94.pdf>.

² See Dodd-Frank Act, sec. 1418(a).

³ The Board’s authority to develop standard model forms and its responsibility of implementing TILA transferred to CFPB on July 21, 2011. See Dodd-Frank Act, secs. 1061(b)(1), 1401(b).

These new disclosure requirements will take effect automatically on January 21, 2013, as written in the statute, unless final rules are issued first. The Bureau plans on issuing final rules on or before that date. The statute authorizes the CFPB to adopt implementing regulations.

In November 2011, CFPB contracted with ICF International (ICF) to assist it with the development and testing of these new disclosures. The work for this project consisted of two phases. First, ICF worked closely with CFPB to develop a set of model forms that (1) met the disclosure requirements as outlined in the Dodd-Frank Act and (2) provided the information in a manner that was understandable and useful to consumers. This was an ongoing, iterative process that took into account the current design of similar forms, as well as best practices in consumer communications. Second, these new draft forms were tested through three rounds of in-depth cognitive interviews with consumers. The forms were revised between rounds to address any usability or comprehension issues that became apparent.

The findings from this work informed CFPB's proposed regulations for mortgage servicing disclosures, which are expected to be published for public comment during the summer of 2012. The revised forms that were developed and refined through the testing were used as a basis for the model forms included with that proposal.

Development of Model Disclosure Forms

For this study, ICF designed forms to both satisfy the requirements of the Dodd-Frank Act, and to present information to consumers in a clear and understandable way. The development of these forms was based on in-depth discussions between ICF and CFPB staff, as well as a review of sample documents currently used by creditors and mortgage servicers. ICF developed three types of forms:

- **Periodic mortgage statements** that servicers would provide to consumers each billing cycle to provide important information about their loan;
- **Adjustable-rate mortgage (ARM) rate adjustment notices**, which would notify consumers six months before their interest rates were scheduled to adjust for the first time; and
- **Force-placed insurance disclosures**, which would warn consumers that the servicer did not have evidence of hazard insurance coverage, and that if they did not have insurance coverage, the servicer had the right to purchase force-placed insurance and charge the consumer for the cost.

Periodic Mortgage Statements

The periodic mortgage statements tested were designed to be given to consumers each billing cycle, providing important information about their loans. The statements were printed on a single, double-sided legal-sized page. Among other pieces of information, the front of the statements included:

- A summary of the mortgage terms (*e.g.*, interest rate and principal obligation);
- The amount of and due date for the next payment;

- A breakdown of current and past payments by principal, interest, escrow and fees;
- A description of recent transaction activity including the itemization of fees and charges;
- An Important Messages box; and
- A payment coupon that consumers could return with a payment by mail.

The information on the front of the statements was organized by grouping related concepts and information into boxes, each of which had a short but descriptive heading (*e.g.*, “Account Information,” or “Current Payment Due”).

The back of the statements included contact information for the Department of Housing and Urban Development (HUD), the state housing agency, and three state- or federally-approved counseling programs in the consumer’s area. On all but one of the statements used in testing, this contact information was referenced in the Important Messages box on the front of the statement, which directed readers to the back of the statement. The back of the statements also contained other servicing-related information that was included to make the statements more realistic.⁴

Adjustable Rate Mortgage (ARM) Rate Adjustment Notices

The ARM rate adjustment notices tested were designed to be sent to consumers with ARMs six to seven months before their interest rate was due to adjust for the first time. Among other pieces of information, the notices that were tested included the following:

- An explanation of how the consumer’s new rate and payment would be determined and when they would take effect;
- A good-faith estimate of the amount of the new monthly payment;
- The date of the initial interest-rate adjustment;
- A list of actions consumers could take if they sought alternatives to the upcoming monthly payment changes;
- The amount of any prepayment penalty; and
- Contact information for federal and state housing agencies and housing counselors.

The structure of the ARM rate adjustment notices developed for this project was based on a notice proposed by the Board in August 2009 on the same topic.

Force-Placed Insurance Notices

The force-placed insurance notices tested were designed as one-page letters from a servicer to a consumer. The notices explained to consumers that the mortgage company did not have evidence of hazard insurance coverage. The notices also explained that if the consumer did not have

⁴ Other than the information about mortgage counseling, none of the information on the back of the statements was tested as part of the project.

insurance coverage, the mortgage company had the right to purchase force-placed insurance and charge the consumer for the cost. The notices also included a good-faith estimate of what force-placed insurance would cost and an explanation of the circumstances under which consumers would be charged for force-placed insurance.

Per the Dodd-Frank Act, servicers must send two of these notices before charging a consumer for force-placed insurance—one at least 45 days before charging and another at least 15 days before charging.

Methodology for Consumer Testing

ICF conducted three rounds of in-depth interviews to test how effectively the disclosure forms communicated information to consumers. A total of 31 interviews were conducted in February through April 2012 in Towson, Maryland; Memphis, Tennessee; and Los Angeles, California. Participants were recruited by telephone using a screener that was developed collaboratively by ICF and CFPB staff. In order to qualify, participants were required to own their current residence and hold a mortgage. The screener also ensured balanced representation in terms of gender, age, education, and race. Recruiters also made efforts to recruit a significant number of participants who had trouble making mortgage payments in the last two years or who currently or previously had an ARM.

Each interview lasted approximately 60 minutes. At the beginning of the interviews, the participants were told that they had a mortgage with a company called “Springside Mortgage.” The model forms were designed to show they came from Springside Mortgage.⁵ After a brief series of introductory questions about their current mortgage loan and prior experience with mortgages, participants were then given a mortgage statement and asked to review it just as they would had they received it in the mail. During this portion of the interview, the interviewer asked participants to “think aloud” as they reviewed the form, and to comment on any information that stood out to them or that they found confusing or unclear. After participants reviewed the statement, they were asked a series of questions to measure their understanding of its content. A similar process was then followed for the ARM rate adjustment notice and the force-placed insurance notices. At the end of each interview, the interviewer consulted with CFPB and ICF observers to identify any additional follow-up questions that might prove useful in clarifying the participant’s understanding of the forms.

Findings from Testing of Periodic Mortgage Statements

Participants’ Previous Experience with Mortgage Statements

- At the beginning of each interview, participants were asked whether they received periodic statements for their own mortgage loans and the extent to which they reviewed them. Across all rounds of testing, nearly all participants said they received periodic mortgage statements. Most said they did not review the statements closely but that they

⁵ ICF did not explain the differences between creditors and mortgage servicers to participants. While the differences are important from a regulatory perspective, they are not important from the perspective of testing the comprehensibility and usability of the model forms.

did skim them for specific pieces of information, such as the amount due; the due date; confirmation that the previous payment was received; how their payments were applied (e.g., to principal, interest, or escrow); whether any fees were assessed; and their remaining loan balance.

Understanding of General Account Information

- Across all rounds of testing, nearly all participants were able to correctly identify key pieces of information in the sample statements, including the amount and due date of the current payment, any fees included in that payment amount, the amount they owed on the loan, their current interest rate, and whether the payment for the previous month had been received.
- Although all participants in the first round of testing were able to locate their remaining loan balance on the statement, not all participants had a clear understanding of what this amount included. In fact, several participants in that round incorrectly believed that the “Outstanding Loan Balance” included both principal and interest. To clarify the relationship between their loan balance and the portion of their payment that is applied to principal, the statement in subsequent rounds used the term “Outstanding Principal.”
- In breakouts of monthly payments, the statements used in the first two rounds labeled “Escrow (for Taxes and Insurance).” In the third round of testing the parenthetical explanation was removed, so that the statement simply referred to “Escrow.” Only two of six participants on the first day understood the meaning of this term. On the second day of testing the word “escrow” was replaced with “impound,” to reflect the fact that “escrow” might have a different meaning in California, where the testing was taking place. However, this did not improve understanding; again, only two consumers understood.

Understanding of Current Payment Due

- Across all rounds of testing, all participants identified when their current payment was due, the amount of the current payment, and the fact that it included one or more fees.

Understanding of Past Payments

- Across all rounds of testing, nearly all participants understood that their payment for the previous month had been received.
- Participants in the first two rounds of testing were asked to identify the amount of interest they had paid in the previous year. All of these participants were able to do so.
- The statements tested in the first two rounds included a row labeled “Partial Payment (Unapplied).” This row was intended to show any partial payments that had not yet been applied to the mortgage account. In the first two rounds of testing, however, only about half of participants understood that funds in this row had not been applied to their accounts.

- In an attempt to improve participant understanding of partial payments, the statements used in the third round included an explanation that read, “*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.*” Initially, this did not appear to have a significant effect on participant understanding, as only about half the participants understood what the row labeled “Partial Payment (Unapplied)” meant. However, after being directed to read the text about partial payments in the Important Messages box, all participants understood that they would have to make additional payments in order to have their partial payment applied to their loan account.

Understanding of Prepayment Penalties

- Participants in the first two rounds of testing were asked if they would be charged a penalty for paying off their loan in advance. Most participants saw the row labeled “Prepayment Penalty” and understood they would be charged that amount if they paid off their loan early. However, six participants in the first round of testing incorrectly assumed that they would not have to pay a prepayment penalty if they refinanced their loan, and four incorrectly thought they would not have to pay a penalty if they sold their house.

Contact Information for the Mortgage Company

- Across all rounds of testing, all participants were able to identify the contact information for the mortgage company.

Information on Mortgage Counseling and Assistance

- The statements used in the first two rounds of testing included a reference indicating that information for mortgage counseling agencies could be found on the back of the statement. In both of these rounds, all participants saw the reference on the front of the statement. When asked whether the statement contained any contact information for mortgage counselors, more than half of participants turned to the back of the statement to locate the information.
- In order to test whether consumers would notice the contact information for counselors even if this reference was not included on the front of the statement, it was removed from one of the two versions used in the third round. Seven of the 11 participants in the third round turned to the back of this statement when asked to find contact information for mortgage counselors, which was a comparable proportion to the first two rounds of testing.

Delinquency Statement

- For the third round of testing, one of the statements depicted a scenario in which the consumer was two months delinquent on the mortgage. The statement included a Delinquency Notice box that informed consumers they were late on their mortgage

payments, that failure to bring their loan current could result in fees or the loss of their homes, and the precise number of days that their account was delinquent. The Delinquency Notice box also included a recent history of their account that showed whether payments for recent months had been made on time.

- When shown this statement, all participants understood that they were behind on their mortgage and that if they did not bring their account up-to-date, the mortgage company would have the right to take their home. However, even though the Delinquency Notice box said *“As of March 20, you are 49 days delinquent on your mortgage loan,”* only about half of the participants correctly identified exactly how long overdue the mortgage company considered them to be.

Payment Option Statement

- In the third round of testing, CFPB also tested a statement for a “payment option” mortgage, which allowed the consumer to choose between three payments each month: “full,” “interest-only,” and “minimum.” Along with a breakdown of how each payment would be applied, it provided a short description of the impact that making that payment would have on the consumer’s principal balance.
- All participants understood after reviewing this form that if they made the full payment their loan balance would decrease, and that if they made the interest-only payment their loan balance would remain the same. All but one understood that if they made the minimum payment, the balance on their loan would increase.

Findings from Testing of Adjustable Rate Mortgage (ARM) Rate Adjustment Notices

Change in Rate and Payment

- Across all rounds of testing, all participants understood from the notices that their interest rate and payment were going to increase and when these changes would occur. However, several of the participants in the first round suggested that the notices could make it clearer why the rate and payment were changing.
- In response to this feedback, the following text was added to the first paragraph of the notice: *“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.”* This addition seemed to improve consumer understanding; all participants in the second round understood that under the terms of their mortgage, the interest rate was fixed for the first three years and could change after that time.
- In the third round of testing, the notice that was tested showed a scenario in which the payments had been interest-only for the first three years of the loan and would become amortizing when the first rate adjustment went into effect. However, only about half of participants understood that their payments would be changing from interest-only to amortizing. Participants generally understood the concept of allocation of payments but

were confused by a table in the notice that broke out principal and interest for the current payment, but combined the two for the new amount. As a result, this table was revised so that separate amounts for principal and interest were shown for all payments.⁶

Calculation of New Interest Rate

- Across all rounds of testing, most participants understood that the new rate and payment shown on the notice were estimates that could change before the first new payment would be due.
- A few participants in the first round did not understand that their rate could change annually. To address this issue, in subsequent rounds of testing the sentence, “*Your interest rate may change annually for the rest of your loan term,*” was added to the first paragraph. All but one of the participants in subsequent rounds of testing understood that their interest rate could continue to change each year.
- In the first round, only three participants seemed to have any understanding of what an “index” and “margin” were, and how these would be used to calculate the interest rate. There was a wide range of misconceptions, including several participants who incorrectly believed the mortgage company could subjectively determine the new interest rate.
- To address this problem, the notice was revised before the second round to provide more description about how the rate would be determined. While it was still unclear to what extent participants understood what “index” and “margin” meant, after rereading the revised notices, most participants in the second and third rounds understood that the mortgage company could not arbitrarily determine the new interest rate.

Mortgage Counseling and Assistance

- Across all rounds of testing, most participants were able to locate contact information listed in the notices for federal and state government agencies and federally- or state-approved mortgage counseling providers.

Possible Alternatives for Consumers

- Participants in the first and second rounds of testing were asked about their understanding of a list of alternatives consumers could pursue. All participants saw this list of alternatives on the notice.
- Only about half of the participants understood what was meant by the phrase, “*transfer ownership of the property directly to [mortgage company] in order to avoid foreclosure.*” Furthermore, many of these participants were unsure about why that would be a desirable alternative. Several participants were not sure how this option was different from foreclosure. A few understood that this option could be more beneficial to them in contrast to foreclosure.

⁶ This revision was made after the third round of testing, and therefore was not tested with consumers.

Interest Rate Carryover

- In order to test participant understanding of interest rate carryover,⁷ the notice in the third round described a scenario in which a limit on annual interest rate increases applied. The notice provided the following description: *“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.”*
- Only two of the 11 participants in the third round understood the concept of interest rate carryover, even after being asked to reread this text. For several participants, in fact, these sentences created confusion about what was going to happen to their interest rate in the current year. As a result, this explanation was rephrased in the notice.

Findings from Testing of Force-Placed Insurance Notices

Understanding of the Mortgage Company’s Right to Obtain and Renew Force-Placed Insurance

- All participants understood from the notices that the mortgage company did not have proof of insurance and that if the consumer did not have insurance, the mortgage company could purchase insurance on the consumer’s behalf.
- Three participants in the second round were shown a notice that explained that the mortgage company had already purchased insurance on their behalf. All three of these participants understood that the insurance had already been purchased by the mortgage company.
- Three participants in the third round were shown a notice that included text in the subject line and first paragraph indicating that it was the “second and final notice.” All of these participants understood that this meant the mortgage company had already sent them a previous notice with the same information, and that they would not be sent another reminder.
- Eight participants in the third round were shown a notice that explained that their property had been covered by force-placed insurance over the past year, and that the mortgage company would renew the force-placed policy if the consumer did not provide proof of independent coverage. All eight participants understood that for the past year their homes had been covered by insurance purchased by the mortgage company on their behalf and that they were responsible for paying the premiums for that coverage. They also understood that if they did not get their own coverage, the mortgage company would renew their policy for the following year.

⁷ An ARM with an interest rate carryover feature means that the creditor has the right to carry over to a future period interest rate increases that it is entitled to during the current period but has to forego due to other terms in the loan, such as interest rate caps.

Potential Disadvantages of Force-Placed Insurance

- Across all rounds of testing, all participants understood that force-placed insurance would likely be more expensive than what they could purchase independently. Almost all participants also understood that it could provide less coverage.

Participants' Reactions to the Force-Placed Insurance Notices

- Across all rounds of testing, all participants said that upon receipt of this letter, they would immediately contact their insurance provider. They also said that if they did not have insurance, they would immediately purchase it and send proof of that coverage to their mortgage company to avoid paying for insurance purchased on their behalf.

Participants' Understanding of the Circumstances under Which They Would Be Charged

- While all participants said they would act immediately in response to receiving the notices they were shown, several participants in the first round did not understand exactly when the mortgage company could purchase insurance on their behalf. At least three of these participants assumed there would be a “grace period” after they received the letter during which they would not be responsible for the force-placed insurance premium.
- To clarify that consumer would be responsible for the premium during any lapse in coverage, a sentence was added to the notice that read *“If we purchase insurance on your behalf, you will have to pay us for any period during which you did not have insurance.”* All but one of the participants in the second round understood that there would be no grace period.
- Participants in the second and third rounds of testing understood that they could not be charged by the mortgage company for any period during which they had their own coverage, even if the mortgage company had taken out force-placed insurance during that time.⁸

⁸ Participants in the first round of testing were not asked this question.

Chapter I: Background

In July 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203, approved July 21, 2010) (the “Dodd-Frank Act” or the “Act”) in the wake of the greatest financial crisis since the Great Depression. The mortgage meltdown was the epicenter of this crisis. The serious and widespread deficiencies in the mortgage market damaged American homeowners, financial institutions, and the wider economy.

In its investigation into the causes of the financial crisis, the U.S. House of Representatives found that mortgage servicing in particular has been marked by pervasive and profound consumer protection problems.⁹ Consequently, the Dodd-Frank Act sets forth a number of new protections for consumers in the servicing of their mortgage loans. Among these new protections are new disclosures that will help provide consumers with comprehensive and comprehensible information so they can better manage their obligations and avoid unnecessary problems:

- Section 1418 of the Dodd-Frank Act amended the Truth in Lending Act (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 (ARM) 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. Additional discretionary authority in the Dodd-Frank Act permits the extension of the Act’s hybrid ARM notice requirements to ARMs that are not hybrid ARMs. The Consumer Financial Protection Bureau (CFPB) intends to propose that the notice be required of all ARMs.
- Section 1420 of the Act amended 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 – providing a periodic statement to the borrower for each billing cycle. It also required the Federal Reserve Board (the Board) to develop standard model form(s) for the required disclosure, taking into account that the statements may be transmitted in hard copy or electronically.
- Section 1463 of the Act amended the Real Estate Settlement Procedures Act of 1974 (RESPA) by adding a new requirement that a servicer for a federally related mortgage must send, via first class mail, two notices to the consumer, before charging the consumer for force-placed insurance.

These new disclosure requirements will take effect automatically on January 21, 2013, as written in the statute, unless final rules are issued first. The Bureau plans on issuing final rules on or before that date. The statute authorizes the CFPB to adopt implementing regulations.

In November 2011, CFPB contracted with ICF International (ICF) to assist it with the development and testing of these new disclosures. The work for this project consisted of two phases. First, ICF worked closely with CFPB to develop a set of model forms that (1) met the disclosure requirements as outlined in the Dodd-Frank Act and (2) provided the information in a

⁹ See *supra* note 1.

manner that was understandable and useful to consumers. This was an ongoing, iterative process that took into account the current design of similar forms, as well as best practices in consumer communications. Second, these new draft forms were tested through three rounds of in-depth cognitive interviews with consumers. The forms were revised between rounds to address any usability or comprehension issues that became apparent.

The findings from this work informed CFPB's proposed regulations for mortgage servicing disclosures, which are expected to be published for public comment during the summer of 2012. The revised forms were used as a basis for the model forms included with that proposal.

Chapter II: Development of Model Disclosure Forms

During the development phase of the project, ICF designed three types of draft forms related to mortgage servicing: periodic mortgage loan statements, ARM rate adjustment notices, and force-placed insurance notices. These forms were designed to satisfy the requirements of the Dodd-Frank Act, and to present information to consumers in a clear and understandable way. The development of these forms was based on in-depth discussions between ICF and CFPB staff, as well as a review of sample documents in use by creditors and mortgage servicers.

Description of Forms

Periodic Mortgage Statements

The periodic mortgage statements tested were designed to be given to consumers each billing cycle, providing important information about their loans. The statements were printed on a single, double-sided legal-sized page. Among other pieces of information, the front of the statements included:

- A summary of the mortgage terms (*e.g.*, interest rate and principal obligation);
- The amount of and due date for the next payment;
- A breakdown of current and past payments by principal, interest, escrow and fees;
- A description of recent transaction activity including the itemization of fees and charges;
- An Important Messages box; and
- A payment coupon that consumers could return with a payment by mail.

The information on the front of the statements was organized by grouping related concepts and information together into boxes, each of which had a short but descriptive heading (*e.g.*, “Account Information,” or “Current Payment Due”).

The back of the statements included contact information for the Department of Housing and Urban Development (HUD), the state housing agency, and three state- or federally-approved counseling programs in the consumer’s area. On all but one of the statements used in testing, this contact information was referenced in the Important Messages box, which directed readers to the back of the statement. The back of the statements also contained other servicing-related information that was included to make the statement more realistic.¹⁰

¹⁰ Other than the information about mortgage counseling, none of the information on the back of the statement was tested as part of the project.

Adjustable Rate Mortgage (ARM) Rate Adjustment Notices

The ARM rate adjustment notices tested were designed to be sent to consumers with ARMs six to seven months before their interest rate was due to adjust. Among other pieces of information, the notices that were tested included the following:

- An explanation of how the consumer's new rate and payment would be determined and when they would take effect;
- A good-faith estimate of the amount of the new monthly payment;
- The date of the initial interest rate adjustment;
- A list of actions consumers could take if they sought alternatives to the upcoming monthly payment changes;
- The amount of any prepayment penalty; and
- Contact information for federal and state housing agencies and housing counselors.

The structure of the ARM rate adjustment notices developed for this project was based on a notice proposed by the Board in August 2009 on the same topic.

Force-Placed Insurance Notices

The force-placed insurance notices tested were designed as one-page letters from a servicer to a consumer. The notices explained to consumers that the mortgage company did not have evidence of hazard insurance coverage. The notices also explained that if the consumer did not have insurance coverage, the mortgage company had the right to purchase force-placed insurance and charge the consumer for the cost. The notices also included a good-faith estimate of what force-placed insurance would cost, and an explanation of the circumstances under which consumers would be charged for force-placed insurance.

Per the Dodd-Frank Act, servicers must send two of these notices before charging a consumer for force-placed insurance—one at least 45 days before charging and another at least 15 days before charging.

General Design Principles

ICF's information designers use a set of general design principles when developing financial disclosures for consumers. Some principles that were especially relevant to the development of forms for this project include the following:

- **Use plain language.** Whenever possible, jargon and technical language should be avoided in favor of words that are more easily understood by consumers. Simple language is particularly important for financial disclosure forms because the consumers who most urgently need this information are often those with low literacy levels. When technical terms must be used, they should be explained for readers unfamiliar with them. For example, the ARM rate adjustment notice explained that payment forbearance

“temporarily gives you more time to pay your monthly payment,” and that the consumer’s interest rate would be calculated by adding to the index “a certain number of percentage points, called the ‘margin.’”

- **Prioritize information and structure forms so that the most important information for consumers is easiest for them to find.** It should not be assumed that all consumers read all forms completely and carefully. Many may instead skim for a few key pieces of information. If consumers cannot find the information they want quickly, they may become frustrated and stop reading. Therefore, it is important to identify the most important information on the form before design work begins. This information should be located prominently to increase the likelihood that even consumers who skim the form quickly will find and understand it. For this reason, the periodic mortgage statements that were tested included a box prominently displayed at the top of the page that presented the account number, payment due date, and amount due, which are three pieces of information important to most consumers.
- **Group related concepts and figures.** Financial disclosure forms may attempt to communicate many disparate facts in a relatively small space. Consumers are likely to more easily absorb and make sense of the information if it is grouped in a logical way. On the periodic mortgage statements, this was accomplished by grouping information into boxes. The boxes each contained related information, and were presented in a logical order.
- **Use headings and titles to make documents more navigable.** When large amounts of text are included, plain language headings should be used to delineate sections on different topics. Tables, rows, and columns should have short, easy-to-read titles that accurately describe the information provided. This allows consumers to find specific information quickly and efficiently, and decreases the likelihood that they will become distracted by unrelated text.
- **Build off prior research when possible.** While each type of form is different, findings from cognitive testing of one form can often be incorporated into the design of another. The applicability of format/content in a new context should always be confirmed through cognitive testing, but prior research often provides a useful starting point. For example, as noted above, the basic framework of the ARM rate adjustment notice was based on a form originally designed and tested by ICF for the Board. While significant revisions were made to the form to reflect the parameters of this new CFPB project, having a starting point that had already been tested with consumers was helpful.

Chapter III: Methodology for Consumer Testing

Once ICF had drafted model forms, the next phase of the project was to test how effectively they communicated information to consumers. ICF conducted three rounds of in-depth cognitive interviews with 31 consumers in three U.S. cities. The dates and locations of the three rounds are shown in Table 1 below.

Table 1. Date, Location, and Number of Participants for Consumer Testing

Round	Date	Location	Number of Participants
1	Feb. 1-2, 2012	Towson, MD	10
2	Feb. 29-Mar. 1, 2012	Memphis, TN	10
3	Apr. 3-4, 2012	Los Angeles, CA	11

Interview participants were recruited by telephone using a screener that was developed collaboratively by ICF and CFPB staff. In order to qualify, participants were required to own their current residence and hold a mortgage. The screener also ensured balanced representation of participants in terms of gender, age, education, and race. Recruiters also made efforts to recruit a significant number of participants who had trouble making mortgage payments in the last two years or who currently or previously had an ARM. The recruitment screener used in the third round of testing is included as Appendix A; Appendix B provides detailed information about the demographic characteristics of participants in each round.

Each interview lasted approximately 60 minutes and was based on an interview guide developed collaboratively by ICF and CFPB staff. Each interview began with a brief series of introductory questions about the participant's current mortgage loan and prior experience with mortgages. Participants were then given a periodic mortgage statement and asked to review it just as they would had they had received it in the mail. During this portion of the interview, the interviewer asked participants to "think aloud" as they reviewed the form, and to comment on any information that stood out to them or that seemed confusing or unclear.

After participants reviewed the statement, they were asked a series of questions to measure their understanding of its content. A similar process was then followed for the ARM rate adjustment notice and the force-placed insurance notices. At the end of each interview, the interviewer consulted with CFPB and ICF observers to identify any useful follow-up questions.

The following three chapters of this report describe the findings from these interviews, as well as changes that were made to the forms in response to those findings. Each chapter describes results from one type of document across three rounds of testing, so that changes to model forms can be most easily followed over time.

Chapter IV: Testing of Periodic Mortgage Statements

This chapter of the report addresses findings and implications from the three rounds of testing related to periodic mortgage statements. The statements used in each round of testing are included in Appendix C.¹¹

Round 1: Towson, Maryland (February 1-2, 2012)

The statement tested in the first round presented a scenario in which the consumer was up-to-date on mortgage payments. The consumer had been charged a late fee because the last payment was received two days after the end of the grace period.

Key Interview Findings

Participants' Experience with Periodic Statements

- At the beginning of each interview, participants were asked whether they received periodic statements for their own mortgage loans and the extent to which they reviewed them. All interview participants said they received periodic mortgage statements either via mail, electronically, or both. Most participants said they did not review their statements closely, but that they did review them for specific information, such as the amount due; the interest rate; confirmation that their previous payment had been received; how their payments were applied (e.g., to principal, interest, or escrow); and whether any fees were assessed.

Understanding of General Account Information

- All participants correctly identified their current interest rate. All also understood that their rate could change. Most participants understood from the statement that the rate could begin changing as early as October 2012, although two believed their rate would change in November.
- All participants were able to identify their remaining loan balance; however, it was not clear that all of them understood what this figure meant. For example, several participants incorrectly believed that the remaining loan balance shown on the statement included both the principal and the interest that would be paid over the life of the loan.¹²

Understanding of Current Payment Due

- All participants correctly identified the current amount due and understood that it included the regular mortgage payment and a late fee. Participants understood that they had been charged a late fee based either on information in the Current Payment Due box

¹¹ The periodic statements presented to interview participants in all three rounds were printed on legal-sized paper (8.5"x14"). Those included in Appendix C were reformatted to fit on a standard letter-sized page (8.5"x11").

¹² It should be noted that some of this confusion might have been due to the fact that participants were reviewing a statement for a hypothetical loan. If participants had been looking at a statement for their own mortgage, this misunderstanding might have been mitigated by the fact that they knew the original amount of the loan.

or the explanation in the Transaction Activity box. A few participants, however, initially expressed some confusion over how the fee shown in the Current Payment Due box was connected with the fee in the Transaction Activity box.

- Participants were asked whether they felt it was necessary for the Current Payment Due box to break the payment down into portions for principal, interest, and escrow. Most participants said this information was important to them because they wanted to see how their payment would be applied. However, two participants said it was not necessary because the Past Payments Breakdown box provided similar information.

Understanding of Past Payments

- All participants understood from the statement that their payment for the previous month had been received.
- Participants were then asked whether their payment for the previous month had decreased their loan balance. About half understood that because the Past Payments Breakdown box showed that a portion of their last payment was applied to principal, their loan balance would have decreased by that amount. The other half of participants also understood that some of their payment had been applied to principal, but did not seem to understand the impact this would have on their loan balance.
- All participants correctly identified the total amount of interest that they had paid in 2012.
- The Past Payments Breakdown box of the statement included a row called “Partial Payment (Unapplied).” When asked what this meant, only two participants understood that any amount shown in this row would not have been applied to principal, interest, or escrow. Three participants incorrectly believed that if an amount were shown in the Partial Payment row, it would indicate that an overpayment had been made by the consumer. Others said they did not know what this row meant, or incorrectly thought that payments in this row would be applied to principal, interest, or escrow.

Understanding of Prepayment Penalties

- All participants understood that a prepayment penalty would apply if they paid off their mortgage early. However, six participants incorrectly believed they would not be charged the prepayment penalty if they refinanced, and one was unsure. Four participants did not think they would be charged the prepayment penalty if they sold their houses; four others were unsure.

Contact Information for the Mortgage Company

- All participants saw the contact information for the mortgage company that was provided on the form.

Information on Mortgage Counseling and Assistance

- When asked whether the statement provided any information about what to do if they were having trouble paying their mortgage, all participants mentioned the information

provided in the Important Messages box about mortgage counseling and assistance. When asked how they could reach organizations that offer this counseling and assistance, seven participants immediately turned to the back and found the contact information. The other three participants did not initially turn to the back on their own, but when instructed to do so were easily able to locate the information.

Requests for Additional Information

- When asked whether additional information should be included on the statement, participants suggested showing the initial loan amount (two participants), the payoff amount (one participant), and more detailed information about the escrow account (one participant).

Subsequent Design Decisions

Following the first round of testing, several revisions were made to the statement. This section describes revisions that were most significant in terms of content, formatting, or tone.

- In the statement used in the first round, both the summary box in the top-right of the statement and the Amount Due box on the payment coupon referenced the payment that a consumer would have to make if his or her payment was late. For example, the summary box read, *“If payment is received after 4/15/12, pay \$1,989.71.”* In the statement for the second round, these references were revised so that they identified the amount of the late fee, rather than the total payment including the late fee. For example, the revised summary box read, *“If payment is received after 4/15/12, \$160 late fee will be charged.”* This change was for the sake of simplicity and directness, and because the amount of the late fee was considered an important piece of information for consumers.
- To clarify the relationship between their loan balance and the portion of their payment that is applied to principal, the revised statement changed the term “Remaining Loan Balance” to “Outstanding Principal.”
- To clarify which transactions appear in the Transaction Activity box, a date range was added to the heading for that box.
- The heading of the Current Payment Due box was changed to “Explanation of Amount Due,” because it was more descriptive.

Round 2: Memphis, Tennessee (February 29 – March 1, 2012)

The periodic statement tested in Round 2 was revised based on findings from the first round of testing (as described above). It was also changed to reflect a slightly more complex loan scenario in which the consumer sent only a partial payment of \$900 the previous month, and that payment had not been applied to his or her loan account. The fact that the payment was only partial was shown in the Transaction Activity box (which described the payment transaction as “Partial Payment Received”), and in the Past Payments Breakdown box, in which all \$900 was shown in the Paid Last Month column in a row labeled “Partial Payment (Unapplied).” This change allowed the interviewer to test participant understanding of unapplied funds more directly than in the first round.

Key Interview Findings

Participants' Experience with Periodic Statements

- At the beginning of each interview, participants were asked whether they received periodic statements for their own mortgage loan, and the extent to which they reviewed them. All but one of the interview participants said they did receive monthly mortgage statements, either through the mail, electronically, or both. Most participants said they did not review their statements closely, but that they did skim them for specific pieces of information, such as the amount due; payment due date; confirmation that the previous payment was received; how their payments were applied (*e.g.*, to principal, interest, or escrow); and whether any fees were assessed.

Understanding of General Account Information

- All participants were able to identify the remaining loan balance.
- All participants correctly identified their current interest rate. All but one of the participants also understood that this rate might change, and that it might do so as early as October 2012. The remaining participant saw the text “Until October 2012” next to the interest rate, but did not seem to understand that the rate could change at that time.

Understanding of Current Payment Due

- All participants correctly identified the current amount due and understood that it included the regular mortgage payment, a late fee, and a property inspection fee.

Understanding of Past Payments

- All participants correctly identified the total amount of interest that they had paid in 2012.
- All participants understood from the statement that their payment for the previous month had been received by the mortgage company. Most of the participants were told in advance to assume that they had made a partial payment the previous month. Three participants were not informed of this in advance; all three understood from the statement that the mortgage company had only received a partial payment.
- Participants were asked to explain what it meant that their previous payment was recorded in a row labeled “Partial Payments (Unapplied).” Six of the participants understood that this meant their payment had not been applied to principal, interest, or escrow, and that the funds were being held by the mortgage company. This was an improvement compared to the first round of testing.
- Among those who did not understand what “unapplied” funds were, one participant knew that the payment had not been used to pay off any principal, but was unsure of what had been done with the money. The three remaining participants indicated that they did not know what the mortgage company had done with the payment: one thought it “went to

principal,” one assumed it had been used to pay down interest, and the third had “no idea” what happened to those funds.

Understanding of Prepayment Penalties

- All but three of the participants saw that the mortgage had a prepayment penalty. These participants also understood that they would have to pay this penalty if they paid off the mortgage early.

Information on Mortgage Counseling and Assistance

- When asked if the statement included information about organizations that could provide advice about mortgages, all participants mentioned the information about counseling and assistance located in the Important Messages box.
- When asked how they could reach organizations that offered counseling or assistance, six participants immediately turned to the back of the statement and found the contact information for the counseling organizations. The other participants did not initially turn to the back of the statement on their own, but when instructed to do so, they were easily able to locate the information. These findings were comparable to those from the first round of testing.
- One participant commented that he was unsure whether the services provided by the counselors on the notice would be free, and that the notice did not provide that information.

Requests for Additional Information

- When asked whether additional information should be included on the statement, half of the participants said that no additional information was necessary. Among the remaining participants, suggestions included adding: an explanation of what happened to the partial payment (three participants), an explanation of what was meant by “overdue payment” (one participant), and a list of possible alternatives for consumers having trouble paying their mortgages (one participant).

Subsequent Design Decisions

Because results from the second round of testing showed that participant comprehension of the statement was generally high, only a few changes were made to the model statements for the next round.

- Many consumers did not understand what was meant by “Partial Payment (Unapplied),” so the following explanation was added to the Important Messages box: *“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.”*
- In the breakdowns of current and past payments on the statements for the first two rounds of testing, the category for escrow read “Escrow (for Taxes and Insurance).” To test

whether consumers would understand the concept of escrow even without these parenthetical descriptions, the statements tested in the third round simply said “Escrow.”

- Statements used in the first two rounds included a reference in the Important Messages box to information about mortgage counseling on the back of the statement. To test whether consumers would notice the contact information even without this reference, it was removed from one of the two versions tested in the third round.

Round 3: Los Angeles, California (April 3-4, 2012)

For the third round of testing, CFPB staff decided to test statements for two new scenarios: one in which a consumer was delinquent on their mortgage (referred to in this report as the “Delinquency Statement”), and another in which the consumer had a “payment option” mortgage that allowed him or her to choose between different payment options each month. In order to test these scenarios, two different statements were developed and tested. The overall layout and content of the statements was largely the same as what had been tested in the previous rounds. However, there were some significant differences:

- The Delinquency Statement included a Delinquency Notice box that informed consumers they were late on their mortgage payments, that failure to bring their loan current could result in fees or the loss of their homes, and the precise number of days that their account was delinquent. The Delinquency Notice box also included a recent history of their account that showed whether payments for recent months had been made on time.
- The Payment Option statement showed a breakdown for three payment options, labeled “full,” “interest-only,” and “minimum.” Along with the breakdown of each payment, it provided a short description of the impact making that payment would have on the principal balance.

For all participants, the delinquency statement was tested first, followed by the payment option statement.¹³

Key Interview Findings (Delinquency Statement)

Participants’ Experience with Periodic Statements

- At the beginning of each interview, participants were asked whether they received statements for their own mortgage loan, and the extent to which they reviewed them. All but one of the interview participants said they received monthly mortgage statements either through the mail, electronically, or both. The remaining participant was not sure if she received periodic statements. Most participants said they did not review their statements closely. However, a few said they did skim them for specific information, such as the interest rate, payment amount, payment due date, and remaining loan balance.

¹³ One additional difference between the notices was that the payment option notice included a reference in the Important Messages box to information on the back about mortgage counseling or assistance, while the delinquency notice did not include this reference.

Understanding of Current Payment Due

- All participants correctly identified when their current payment was due, and the amount due. All understood that the amount due included the regular mortgage payment, a late fee, and a property inspection fee.
- On Day 1 of testing, participants were asked what the term “escrow” meant. Only two of six participants understood that “escrow” referred to a separate account that the mortgage company uses to pay taxes and insurance. Two participants said they were confused by the use of the term because in their minds “escrow” referred to an account set up to hold funds until a homebuyer had closed on his or her house. One of these two said that he was more familiar with an “impound account” to pay taxes and insurance.
- Because of concerns about the word “escrow” being used differently in California, the statements tested on Day 2 used the word “impound” instead. However, only two of the five participants on Day 2 had heard of an “impound account.”

Understanding of Overdue Amount

- All participants understood from the statement that they were currently behind on their payments. Most participants said they knew this based on information provided in the Delinquency Notice box. Several knew that they were behind based on information in the Transaction Activity box (*i.e.*, the fact that they had made only a partial payment) and the Explanation of Amount Due box (*i.e.*, the fact that they were being asked to make an overdue payment).
- The Delinquency Notice box stated that the consumer was “49 days delinquent” on his or her loan. However, when asked how long overdue the mortgage company considered them to be, only about half of the participants referenced this text. Other participants said that they were one, two, or three months behind, based on other information on the statement.
- All participants knew that if they did not bring their account up-to-date, the mortgage company would have the right to take their home.

Understanding of Past Payments

- All but one of the participants understood from the statement that the mortgage company had received their payment for the previous month of \$1,000.
- When asked what the mortgage company did with their partial payment, about half of the participants understood from the statement that these funds had not been applied to their mortgage loan (similar to the findings from the second round of testing). Of this half, most saw the text in the Important Messages box indicating that these funds were being

held in a separate suspense account; others knew that the payment had not been applied but did not know what had been done with it.¹⁴

- The other half of participants mistakenly thought that this payment had been applied. For example, one participant thought that because there was an amount for principal listed in the Paid Year to Date column of the Past Payments Breakdown box, this meant that her partial payment had been applied to the principal.
- After being directed to read the text about partial payments in the Important Messages box, all participants understood that they would have to make additional payments in order to have their partial payment applied to their loan account. In some cases participants did not fully understand how much they would have to pay to have these funds applied. For example, one participant mistakenly thought that she would have to bring her account fully up-to-date before her partial payments would be applied.

Information on Mortgage Counseling and Assistance

- Eight participants were asked what they would do if they were having trouble paying their mortgage. All eight said that the first thing they would do would be to call the mortgage company to inform them of the problem and ask for help.
- Ten participants were asked if the statement provided any information about other organizations they could contact for assistance. Seven of the 10 participants saw the contact information for mortgage counseling and assistance agencies that was on the back of the statement; the remaining three participants did not notice this information.¹⁵ These findings were comparable to the previous rounds of testing.

Requests for Additional Information

- When asked whether additional information should be included in the statement, three participants said that the statement should include information about what to do if faced with difficulty making payments (*e.g.*, who to call, options for how to “get back on track,” and/or a message from the mortgage company saying it would work with the consumer to find a solution).

¹⁴ On both days of testing, references to partial payments in the Transaction Activity and Past Payments Breakdown boxes had an asterisk. On the second day, an asterisk was also added to the text about partial payments in the Important Messages box, to link that information to the other references. There was no evidence from this round that adding this asterisk improved comprehension—in fact, fewer participants on the second day appeared to notice the text in the Important Messages box.

¹⁵ As noted earlier, unlike statements used in the previous two rounds, this statement did not include any references on the front directing consumer to this information.

Key Interview Findings (Payment Option Statement)

Previous Experience with Payment Option Loans

- One of the 11 participants had a payment option mortgage; he indicated that he makes the full payment about half of the time. Only one of the other 10 participants had ever heard of payment option or “pick-a-pay” loans.

Understanding of General Account Information

- After reviewing this statement, all participants correctly identified the amount of money they still owed on the loan.

Understanding of Current Payment Due

- All participants understood from the statement when their current payment was due. All were also able to identify the three different payment amounts they could make.
- All participants understood that if they made the full payment (Option 1), their loan balance would decrease. Seven were able to correctly identify the amount by which their balance would decrease (*i.e.*, \$386.46, the amount of the full payment that would be applied to principal).
- All participants understood that if they made the interest-only payment (Option 2), their loan balance would remain the same. All but one of the participants also understood that if they made the minimum payment (Option 3) the balance of their loan would increase, meaning that they would owe more money to the bank.

Subsequent Design Decisions

No significant changes in content, formatting, or tone were made to the notice based on findings from the interviews in this round. CFPB staff made the decision to require the reference on the front of the statement to contact information for mortgage counselors only in situations where the consumer was delinquent, and might have more need for these services. In other situations this reference would not be included on the front of the statement.

Chapter V: Testing of Adjustable Rate Mortgage (ARM) Rate Adjustment Notices

This chapter of the report addresses findings and implications from the three rounds of testing related to ARM rate adjustment notices. The notices used in each round of testing are included in Appendix C.

Round 1: Towson, Maryland (February 1-2, 2012)

The ARM rate adjustment notice used in the first round of interviews tested participant understanding of a scenario in which the consumer's interest rate was estimated to increase from 4.25% to 5.75%. This information, along with the current and estimated new monthly payments, was located prominently near the top of the notice in a table. Other statutorily required elements were included in the notice as well, with short subject headings in bold.

Key Interview Findings

Change in Rate and Payment

- After reviewing the notice, all participants understood that their interest rate and payment were going to increase and when the change would take place (*i.e.*, July 20).
- When asked what their reaction would be if they received this notice in the mail, most participants said they would be concerned about the sharp increase in their monthly payment. Several said they would call the mortgage company to see if there was any way to keep their payment from changing.
- All participants understood that the phrase “adjustable rate mortgage” meant a mortgage on which the interest rate could change over time.
- All participants knew that their first new payment would be due on August 1, 2012; they also correctly identified the estimated new rate and payment provided in the notice.

Calculation of New Interest Rate

- All participants understood that the new rate and payment shown in the notice were estimated and not definite. However, they had several misconceptions about why the notice provided only estimated figures. For example, one participant thought the rate was estimated because it would still be possible to negotiate the rate with the mortgage company. Another participant incorrectly thought the rate was estimated because it could change between July 20 (when the new rate would be calculated) and August 1 (when the new payment was due).
- All participants understood that the rate could continue to change after the initial adjustment on July 20. All but three of the participants also understood that their rate could change annually; others did not see this information on the notice.

- When asked how their new rate would be calculated, most of the participants referred to the Interest Rate section of the notice, which stated that *“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.”* However, several participants did not understand this text. Only three participants generally understood what “margin” and “index” meant, and that these would be used to calculate the interest rate. Other participants either said they did not know what these terms meant, or held a variety of misconceptions. For example, two participants incorrectly believed that the “margin” was the amount by which the new rate could be different from the estimated rate. Another participant thought “margin” referred to the amount the rate would increase when it adjusted.
- Several participants thought that the mortgage company could determine on its own what the new interest rate would be, and did not understand that the adjustment would be based on the terms of their loan contract.

Mortgage Counseling and Assistance

- When asked what they would do if they thought they would not be able to make their mortgage payment, most participants said that they would first contact their mortgage company. Several said they would also contact HUD and/or the other agencies listed on the notice.
- Two participants mistakenly thought that the phone number provided on the notice was for a mortgage counseling agency, when in fact it was the phone number for the mortgage company.
- When asked where they could find contact information for mortgage counseling or assistance, all but two of the participants pointed out information on the back of the notice about federal and state government agencies and federally- or state-approved mortgage counseling providers. The other two participants saw the reference to mortgage counseling and assistance on the front of the notice, but did not turn the notice over until prompted to do so by the interviewer.

Possible Alternatives for Consumers

- When asked what alternatives existed if they were concerned they would not be able to make their new payment, all participants located the list of alternatives provided on the notice.
- Most participants understood the phrase “renegotiate your loan” to mean working with the mortgage company to change the terms of the mortgage.
- All but two participants understood that “forbearance” meant working with the mortgage company to extend the amount of time they would have to make a payment. However, participants were unsure how much additional time they would gain through forbearance. Several participants thought it would provide them only a few extra days to make their payment. One participant speculated that “forbearance” might also mean that there would be an opportunity to make up a payment later or have it forgiven entirely.

- Only about half of the participants understood what was meant by “*transfer ownership of the property directly to us in order to avoid foreclosure*”. One participant incorrectly believed this option was the same as foreclosure; another said it was similar to foreclosure except that the consumer’s credit would not be affected if he or she transferred ownership directly to the mortgage company. One participant mistakenly thought that this option was similar to a reverse mortgage, in that the consumer would then rent the home from the mortgage company. Several participants seemed unsure as to why a consumer would elect to transfer ownership in this way.

Requests for Additional Information

- When asked whether any additional information should be included in the notice, most participants suggested providing more explanation about why the interest rate was increasing and how the new rate would be calculated. Other suggestions included explaining the consumer’s alternatives in more detail and including a breakdown of how the new payment would be applied to principal, interest, and escrow.

Subsequent Design Decisions

Following the first round of testing, a number of revisions were made to the notice. The following section describes revisions that were most significant in terms of content, formatting, or tone.

- Because a few participants in the first round suggested that the notice clarify why the rate and payment were changing, the following text was added to the first paragraph of the notice: “*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.*”
- Because most participants expressed some confusion about how their new interest rate would be calculated, the Interest Rate section was rewritten to explain more clearly how an index and margin would be used to determine the new rate.
- Because a number of participants in the first round misunderstood why the notice provided only an estimate of their new rate and payment, the text in the New Monthly Payment section was revised to clarify that: “*...if the LIBOR index has changed on August 20, your new interest rate and payment may be different from what is shown above.*”
- Because three participants did not understand that their interest rate would adjust annually for the remainder of their loan term, this information was added to the first paragraph. For reasons of space, the sentence “*For more detailed information, please refer to your loan agreement(s)*” was deleted.
- Because at least two participants misunderstood whom they would reach at the phone number on the front of the form, in the revised forms the phrase “Contact us” was changed to “Contact Springside Mortgage.”

- Because of concerns that participants might misunderstand the reference to renegotiating loan terms, the word “renegotiate” was changed to “modify.”
- In order to clarify the sender and recipient of the notice, both the mortgage company’s and the consumer’s names and addresses were added to the top of the document used in the second round.

Round 2: Memphis, Tennessee (February 29 – March 1, 2012)

The notice tested in Round 2 was revised based on findings from the first round of testing (as described above). The scenario presented in the notice in Round 2 was the same as in Round 1.

Key Interview Findings

Change in Rate and Payment

- After reviewing the notice, all participants understood that their interest rate and payment were going to increase, and when the change would take place (*i.e.*, August 20).
- Based on the information provided in the notice, all participants understood that under the terms of their mortgage, the interest rate was fixed for the first three years and could change after that time.
- All participants understood that their first new payment would be due September 1, 2012, and all correctly identified the estimated new rate and payment that were provided in the notice.

Calculation of New Interest Rate

- All but three participants understood that the new rate and payment shown in the notice were estimated and not definite. Three mistakenly thought that the exact rate and payment shown would definitely apply after the rate changed on August 20.
- All participants understood that after the rate changed on August 20, it could continue to change annually. This was an improvement compared to the first round, which did not include a sentence stating this fact in the first paragraph.
- When asked if the mortgage company determined on its own what their new rate would be, six participants understood that it did not have control over the rate. (This was similar to the first round of testing.) The remaining four participants believed the mortgage company had some direct role in determining the rate. However, after being instructed to reread the section that explained the calculation of the new interest rate, two of these participants came to understand that the mortgage company did not have control over the new rate.
- Of the six participants who understood that the mortgage company did not control the rate, three understood that their rate would be determined using an index and margin. The other three participants were able to identify the section of the notice that explained how the rate was determined, but could not explain what it meant.

- The participants were also asked how they thought the index rate (*i.e.*, the 1-year LIBOR) was determined.¹⁶ Half of the participants said they did not know. Others gave a variety of responses, including: that the index was an average of interest rates on mortgages nationwide, that it was “*like the Prime Rate that everyone goes by*,” that it was “*like the stock market*,” or that it had “*something to do with the economy*.”

Mortgage Counseling and Assistance

- When asked what they would do if they thought they would not be able to make their mortgage payment, most participants said that they would first contact the mortgage company. A few said they would also contact HUD and/or the other agencies listed on the notice.
- When asked if the notice included contact information for organizations offering mortgage counseling or assistance, all participants pointed out information on the back of the notice about federal and state government agencies and federally- or state-approved mortgage counseling providers.

Possible Alternatives for Consumers

- When asked what they could do if they were concerned they would not be able to make their new payment, all participants located the list of alternatives provided on the notice.
- Most participants understood the phrase “modify your loan terms with us” to mean working with the mortgage company to change the terms of the mortgage (*e.g.*, lower the interest rate, change the rate from variable to fixed, or increase the length of the loan term).
- Participants generally understood “forbearance” to mean that they would have more time to make their payments or that they would be able to spread their payments over a longer period of time. Two participants said they would be concerned that this alternative would ultimately be costly, either because of “*a big balloon payment*” or because they would be charged many fees for partial payments.
- About half of the participants understood what the last option on the list (*i.e.*, to transfer ownership of the property directly to the mortgage company) meant. One participant incorrectly believed that this alternative was similar to a short sale, while another incorrectly thought this option meant they would transfer ownership to someone other than the mortgage company. Two participants were unsure how this option was different from foreclosure. These findings were similar to those from the first round of testing.

Requests for Additional Information

- When asked whether any additional information should be included in the notice, two participants suggested providing a better explanation of the possible alternatives. Other suggestions included providing a better explanation of how the rate is determined,

¹⁶ This information was not included on the notice they were shown.

explaining more clearly why the rate was going to increase, and indicating whether the counseling and assistance organizations would charge consumers for their services.

Subsequent Design Decisions

No significant changes in content, formatting, or tone were made to the notice based on findings from the interviews this round.

Round 3: Los Angeles, California (April 3-4, 2012)

As noted above, no significant changes were made to the ARM notice based on findings from Round 2. However, the notice was revised to reflect a different loan scenario. For the third round, the ARM rate adjustment notice indicated that the payments that the consumer had already made were interest-only, but that the new payments would be amortizing. This was noted in three places:

- In the first paragraph, the notice stated: *“as of September 29, 2012 your mortgage payment will include principal as well as interest.”*
- In the New Interest Rate and Monthly Payment section, the notice stated: *“Your new payment will cover all of your interest and some of your loan’s principal, and therefore will reduce your loan balance.”*
- Unlike in earlier versions of the ARM rate adjustment notice, the table showing the current and estimated new interest rates and payments broke the payments into portions for principal, interest, and escrow. The table showed that the portion of the current payment devoted to principal was “none,” to reflect the fact that this payment was interest-only. In the column for the estimated new payment, the principal and interest rows were combined into a single figure.¹⁷

The notice was also changed to reflect an “interest rate carryover” scenario. In this scenario the 2.00% limit on annual rate increases prevented an increase of an additional 1.00%. This was disclosed in the Rate Limits section, which stated that if not for the 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.”*

Key Interview Findings

Change in Rate and Payment

- After reviewing the notice, all participants understood that their interest rate and payment were going to increase and when the changes would take place (*i.e.*, September 29). Compared to previous rounds, participants in Round 3 took a slightly longer time to answer these questions, perhaps because the ARM notice for this round contained more information than those in previous rounds.

¹⁷ The principal and interest portions for the estimated new payment were combined because once amortization began, the allocation of funds to principal and interest would change monthly.

- About half of the participants understood that their payments were changing from interest-only to amortizing (*i.e.*, that their new payments would include principal). Of the other half, all but one understood this after they were directed by the interviewer to reread the relevant text.¹⁸
- Several participants were confused about why the table in the notice broke out principal and interest for the current payment, but combined the two into a single cell for the new payment. In some cases this created confusion. For example, at least one participant assumed that because the table said that no principal was included in the current payments and did not list a principal amount for the new payment, this meant that the new payment was also interest-only.
- One participant incorrectly thought that because the notice stated that “*Your new payment will cover all of your interest and some of your loan's principal,*” this meant that a consumer would have to make extra payments over time to fully pay down his or her loan balance (underlining added for emphasis; “some” was not underlined in the notice).

Calculation of New Interest Rate

- All but one of the participants understood that after September 29, the rate could continue to change annually. The remaining participant did not think that the rate could change again after September 29.
- When asked how the new interest rate would be determined, about half of the participants said they did not know, or gave incorrect answers (*e.g.*, that their rate would increase by two percent each year). The other half referred to the LIBOR index and the margin. However, as in previous rounds, it was not clear that these participants truly understood how the index and margin would be used to calculate the new interest rate.

Interest Rate Carryover

- The notice being tested showed an estimated interest rate increase of 2.00%. It also stated that if not for the annual 2.00% limit on rate increases, the interest rate on the loan would have increased by 1.00% more, and that this additional amount could be applied the following year. To test their understanding of “interest rate carryover,” participants were asked what their rate would be the following year if their loan terms and the LIBOR index remained the same. Only two of the 11 participants understood that under this scenario, their interest rate would increase the following year by 1.00%.
- The other nine participants were specifically directed by the interviewer to read two sentences in the notice: one that read “*If not for this rate limit, your estimated rate on September 29 would be 1.00% higher,*” and another that read, “*This additional amount may be applied to your interest rate when it adjusts again next year.*” Even after re-

¹⁸ Two different approaches were used when asking about this portion of the notice. The final four participants were told before seeing the form that their current payments were interest-only, since real-world consumers who received this notice might know this already. The first seven participants were not told in advance that any payments were interest-only. This difference in approach did not significantly affect the results; about half of both groups realized on their own that their payments were changing from interest-only to amortizing.

reading these sentences, these participants were confused and did not understand the meaning. For several participants, these sentences seemed only to cause confusion about what was going to happen to their interest rate in the current year. For example, one participant thought these sentences meant that her interest rate would increase by 3.00% on September 29, and another thought his rate would increase by 1.00%.

Subsequent Design Decisions

Based on the findings from the third round of testing, the following changes were made to the notice.

- Participants were consistently confused by the fact that the table on the notice broke out principal and interest for the current interest-only payment, but not for the estimated new payment. Therefore, the table was revised so that principal and interest would be listed for both the current and new payments in the proposed model forms.¹⁹
- Because participants had a great deal of difficulty understanding the impact of rate limits on the change in their interest rate, the portion of the notice explaining interest rate carryover was revised for clarity and simplification following the third round.
- The date of the upcoming adjustment and the frequency of ensuing adjustments were removed from the Interest Rate section, because they were redundant with information already provided in the first paragraph.

¹⁹ A note was also added to the notice that indicated the breakdown of principal and interest for the new payment was only accurate for the first payment that was due.

Chapter VI: Testing of Force-Placed Insurance Notices

This chapter addresses findings and implications from the three rounds of testing related to force-placed insurance notices. The statements used in each round of testing are included in Appendix C.

Round 1: Towson, Maryland (February 1-2, 2012)

The notice used in the first round of testing was a model form of the first notice that would be sent by a mortgage company (*i.e.*, no fewer than 45 days before it could begin charging the consumer for force-placed insurance).

Key Interview Findings

Understanding of the Mortgage Company's Right to Obtain Force-Placed Insurance

- All participants understood from the notice that the mortgage company did not have proof of insurance on their property, and that their policy may have been canceled or expired.
- All of the participants understood that if they did nothing, the mortgage company could purchase insurance on their behalf.
- All participants understood that if they did not want the mortgage company to purchase insurance, they needed provide proof that they had their own insurance coverage.

Potential Disadvantages of Force-Placed Insurance

- All participants understood from the notice that insurance purchased by the mortgage company may provide less coverage than what they could purchase independently. All but one of the participants also understood that the insurance purchased by the mortgage company would probably be more expensive than what they could purchase on their own.
- When asked if it would be good or bad if the mortgage company purchased insurance on their behalf, most participants understood that it would be bad and said they would prefer to purchase their own coverage. However, three participants thought it would be *good* for them because it was better to have some insurance coverage than none at all. Nevertheless, these three participants also said they would try to obtain their own insurance because it would be better coverage than what the mortgage company would purchase on their behalf.

Participants' Reactions to the Force-Placed Insurance Notice

- All participants said that if they received this notice, they would contact their insurance company to find out why their policy had lapsed. When asked what they would do if they did not have insurance coverage, they said they would obtain coverage and send proof of insurance to the mortgage company.

- When asked whether it would make a difference how quickly they responded to the information in the notice, all participants said they would act immediately, both because they would not want to pay for expensive insurance purchased by the mortgage company and because they wanted to be sure they had insurance coverage on their property.

Participants' Understanding of the Circumstances under Which They Would Be Charged

- While all participants indicated that they would act immediately if they received this notice, several did not understand exactly when the mortgage company could purchase insurance for them. In particular, at least three participants assumed that they would have a grace period after they received the letter during which the mortgage company would give them time to respond before purchasing insurance on their behalf.

Requests for Additional Information

- When asked whether any additional information should be included in the notice, six participants suggested including a date or time frame for how long they had to resolve the issue before incurring charges for the force-placed insurance. Two participants suggested including contact information for insurance companies through which consumers could purchase their own insurance.

Subsequent Design Decisions

Based on findings from the first round of testing, several revisions were made to the notice. The following section describes revisions that were most significant in terms of content, formatting, or tone.

- As noted above, several participants were confused about when the mortgage company would purchase insurance on the consumer's behalf. To alleviate this confusion, two different versions of the force-placed insurance notice were created for the second round of testing. The first version indicated that the mortgage company had *already purchased* insurance on the consumer's behalf, while the second version indicated that the mortgage company "may purchase" insurance. The intent was that mortgage companies would provide each consumer with the version that applied to his or her specific situation.
- The statement "*You should immediately purchase or renew your own insurance policy,*" was added to the notices tested in the second round of interviews because it was more direct and might compel consumers to take action more quickly.
- For the second round of testing, the following paragraph was removed from the form: "*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.*" This information was removed to reduce the amount of text in the notice and because it was deemed less important to consumers than other information.
- The revised versions of the notice explicitly stated that if force-placed insurance was purchased, the consumer would have to pay the mortgage company for any period during

which he or she did not have his or her own insurance. This text was intended to clarify the precise situation under which consumers would incur a charge for force-placed insurance.

Round 2: Memphis, Tennessee (February 29 – March 1, 2012)

Two versions of the force-placed insurance notice were tested this round. One version (Version WP) explained that the consumer's insurance policy had lapsed and that the mortgage company may purchase insurance on the consumer's behalf at some point in the future. The other version (Version AP) indicated said that the mortgage company had already purchased insurance on the consumer's behalf.

Due to time constraints, participants reviewed only one of the two versions of the notice: seven participants were shown Version WP, and three were shown Version AP.

Key Interview Findings

Understanding of Mortgage Company's Right to Obtain Force-Placed Insurance

- All participants understood from the notice that the mortgage company did not have proof of insurance on their property, and that their insurance policy had lapsed.
- All seven participants shown Version WP understood that if they did nothing, the mortgage company could purchase insurance on their behalf. The three participants who were shown Version AP understood that the mortgage company had already purchased insurance on their behalf.
- All participants understood that, if they did not want to pay for insurance purchased by the mortgage company, they needed to provide proof that they had their own insurance coverage.

Potential Disadvantages of Force-Placed Insurance

- All participants understood from the notice that insurance purchased by the mortgage company would probably be more expensive than what they purchased on their own. All but two of the participants also understood that the insurance purchased by the mortgage company may provide less coverage than what they could purchase independently.
- One participant noted that while she knew a policy she purchased herself would be less expensive than one purchased by the mortgage company, she would prefer for the mortgage company to purchase insurance for her if she was facing an annual insurance payment that she could not afford. She said in that situation it might be preferable to pay for insurance through her escrow account because that would allow her to make small payments over a longer period of time (rather than one large payment).

Participants' Reactions to the Force-Placed Insurance Notice

- All participants said that if they received this notice, they would immediately contact their insurance company to find out why their policy had lapsed. When asked what they

would do if they found out they did not have insurance coverage, they said they would obtain coverage and send proof of insurance to the mortgage company.

- All participants said they would respond immediately to this notice, both because they would not want to pay for insurance purchased by the mortgage company and because they wanted to be sure they had insurance coverage on their property.

Participants' Understanding of the Circumstances under Which They Would Be Charged

- All participants understood from the letter that the mortgage company could charge them for the force-placed insurance for any time during which they did not have their own coverage. One participant expressed doubt over whether the mortgage company would actually charge her if the lapse lasted less than one month, but these findings were still an improvement compared to the first round of testing.
- All participants understood that they would not be charged for any overlap of their own coverage and force-placed coverage purchased by the mortgage company.

Requests for Additional Information

- When asked whether any additional information should be included in the notice, only two participants had any suggestions. One suggested including the date after which the mortgage company would purchase force-placed insurance. The other participant wanted more information about the level of coverage force-placed insurance would provide.

Subsequent Design Decisions

Because results from the second round of testing showed that participants' comprehension of the statement was generally high, only a few changes were made to the notice for the following round.

- Because of concern that consumers might not understand that they could obtain their own insurance even after force-placed insurance had been purchased by the mortgage company, text was added to the notice stating that, "if you give us proof of insurance at any time, we will not charge you for any period during which you can prove you had your own insurance" (new text underlined).
- In this round, the first paragraph of Version WP stated that the mortgage company "may purchase insurance on your behalf." In the notices for the third round, the word "insurance" in this sentence was replaced with the phrase "force-placed insurance," to test whether the inclusion of this term might spur consumers into action more quickly.

Round 3: Los Angeles, California (April 3-4, 2012)

In the third round of interviews, two versions of the force-placed insurance notice were tested. The first was a revised Version WP notice from the previous round. Unlike in the previous rounds, this notice was intended to model the second communication that a consumer would receive before he or she could be charged for force-placed insurance. Therefore, it noted in two places that it was the "second and final notice" the consumer would receive.

The other version of the notice (Version RN) reflected a scenario in which the mortgage company had purchased force-placed insurance the previous year, and was now informing the consumer that it would renew its force-placed policy if proof of coverage was not provided. Version RN was otherwise identical to Version AP from the second round of testing.

Due to time constraints, participants reviewed only one of the two versions of the force-placed insurance notice: three were shown Version WP and eight were shown Version RN.

Key Interview Findings

Understanding of the Mortgage Company's Right to Obtain and Renew Force-Placed Insurance

- All participants understood from the notices that the mortgage company did not have proof of insurance on their property.
 - All three participants who were shown Version WP understood that the mortgage company had sent them a previous notice with the same information.
 - All but one of the eight participants who were shown Version RN understood that for the past year their home had been covered by insurance purchased on their behalf by the mortgage company.
- Five of the eight participants who were shown Version RN understood that for the past year they had been paying the premiums for the force-placed insurance. The remaining three participants incorrectly believed that the mortgage company had been paying for the coverage. However, based on their answers to subsequent questions, these three participants seemed to understand that they would ultimately be responsible for this cost.
- All participants understood that if they did nothing, the mortgage company could purchase insurance coverage on their behalf (or renew it, in the case of Version RN).
- All participants understood that if they did not want the mortgage company to purchase or renew insurance coverage on their behalf, they needed to provide the mortgage company with proof of insurance coverage.

Potential Disadvantages of Force-Placed Insurance

- All participants understood that insurance they purchased on their own would probably be less expensive and offer better coverage than what the mortgage company purchased.

Participants' Reactions to the Force-Placed Insurance Notice

- All participants indicated that if they received the letter, they would act to get their own insurance coverage and that they would do so quickly in order to avoid being charged for any period during which they did not have coverage. They also understood that if they provided proof of insurance coverage, they would not be charged by the mortgage company for insurance coverage purchased on their behalf.

Participants' Understanding of the Circumstances under Which They Would Be Charged

- All three participants who were shown Version WP understood that even if force-placed insurance was already in place on their property for a period of time (e.g., four months), they could still purchase their own insurance and it would be beneficial for them to do so.
- Participants who were shown Version WP were asked if they could be charged for a one-month period during which they had force-placed insurance and no other coverage. Two of the three participants understood that they could be charged for that time. The remaining participant incorrectly believed that if she provided proof of insurance at any time, she would not have to pay for any force-placed insurance premiums from the previous months.
- Participants who were shown Version RN were asked if they could still get their own insurance policy if they waited until after the mortgage company had already renewed the force-placed coverage. All eight participants understood that they could purchase their own coverage at any time.
- Participants who were shown Version RN were told to imagine a scenario in which they waited until several months after the mortgage company had renewed their force-placed policy before purchasing their own insurance. All of these participants understood that they could still purchase their own insurance, and that if they provided proof of coverage to the mortgage company it would cancel its force-placed policy and would stop charging them for it.

Subsequent Design Decisions

Because results showed that participants' comprehension of the statement was high, only a few changes were made to the notice following the third round of testing.

- As noted above, the term "force-placed insurance" was included in the notices used in this round to test whether it might spur consumers to take action more quickly. Because most participants in the third round of testing did not seem to notice this reference, the term "force-placed" was removed from the notice.
- The notices used in testing indicated that consumers could contact their mortgage company by phone, e-mail, mail, or fax. Because testing showed that almost all consumers preferred to contact their mortgage company by phone, other contact information was removed from the notice.

Chapter VII: Conclusion

This report summarizes work conducted by ICF from November 2011 through July 2012 in support of CFPB's efforts to develop rules and model forms related to mortgage servicing. It describes the forms that were initially drafted by ICF in collaboration with CFPB and how findings from cognitive testing led to revisions to those forms.

The empirical research findings described in this report will be an important source of data for CFPB as it prepares its proposed rules and finalizes its model forms. This direct input from consumers will help ensure that new disclosure forms are easy for consumers to understand and use in making decisions about their mortgages.

APPENDIX A: SAMPLE RECRUITMENT SCREENER

Participant Screener for Mortgage Servicing Interviews
Los Angeles, CA
April 3rd-4th, 2012

General Information and Recruiting Specifications

- *Ten In-Depth Interviews*
 - Interviews will be held during slots scheduled for [date and time]
 - Length of interview: 60 minutes
 - Twelve interview slots have been scheduled to ensure at least 10 interviews occur.
 - **RECRUITERS:** Ask all interview participants to bring their reading glasses, if necessary, because they will be asked to read several sample mortgage documents as part of the interview.
-

Recruiting Script

Hello, my name is **[first and last name]**. May I speak to **[candidate]**?

If someone other than Respondent asks why you are calling, say: I'm calling regarding an important US government study about mortgage loans and disclosures.

Say to Respondent: I am calling from **Atkins Research Group** for ICF International. ICF International is working with a US government agency, the Consumer Financial Protection Bureau to conduct a study to learn about consumers' opinions regarding the effectiveness and helpfulness of information they receive about their mortgage from their mortgage company. These questions have been approved by the US government Office of Management and Budget and have been assigned OMB Control Number 3170-0018.

We would like to invite you to participate in an interview being held during the week of April 2nd, 2012. In this interview, we will ask you to review some sample mortgage disclosure forms, perform a series of tasks with respect to those forms, and give your opinion about how helpful those forms are. These interviews are being held so that the government can learn more about how borrowers understand information regarding their mortgages and can receive information that assists borrowers in making appropriate decisions with respect to their mortgages. There will be no forms or information relating to your own mortgage (or anyone else's); the forms are generic. It is important that you know that we will be audio- and videotaping your interview so that we can be sure to collect what you say accurately. However, your name will not appear in any reports. Also, just so you are not surprised, we want to emphasize that this will be a one-on-one interview, not a focus group.

We will pay you \$65 at the end of the interview for your participation. Do you have a few minutes to answer some pre-qualifying questions? (*If not, What would be a convenient time to call back?*)

If necessary: We are not selling anything, we are only looking to find people to participate in a study that the CFPB is conducting. Everything you say will be kept private except where required by law. Further, your personal information will not be given to CFPB.

Q1: Do you currently own a home that you live in?

- ☐ Yes → Continue
- ☐ No → *Thank respondent politely and end call.*

Q2: Do you currently have a mortgage on this property?

- ☐ Yes → Continue
- ☐ No → *Thank respondent politely and end call.*

Q3: Are you the person in your household who is responsible for making decisions related to this mortgage?

- ☐ Yes → *Continue*
- ☐ Yes, in cooperation with my [spouse, partner, etc.] → *Continue*
- ☐ No → *Thank respondent politely and end call.*

Q4: Do you work or have you ever worked for a bank or other financial institution, in the real estate industry, or the mortgage industry?

- ☐ Yes → *Thank respondent politely and end call.*
- ☐ No → *Continue*

Q5: Have you participated in any other interviews or focus groups in the past 6 months?

- ☐ Yes → *Thank respondent politely and end call.*
- ☐ No → *Continue*

Q6: ARTICULATION QUESTION: In a few sentences, could you describe the process through which you found your current mortgage lender?

- ☐ If respondent gives a thoughtful, articulate answer → **Respondent qualifies**
- ☐ If respondent does not give a thoughtful, articulate answer → *Thank respondent politely and end call.*

Screening Criteria	Recruiting Quotas
Q7: In the past two years, have you ever had difficulty coming up with the money for a mortgage payment? a) Yes b) No	• At least 7 recruits should answer "Yes"

Screening Criteria	Recruiting Quotas
<p>Q8: Some mortgages have an adjustable interest rate—that is, an interest rate that can change over time. Does your mortgage have a rate that is adjustable or will become adjustable in the future?</p> <p>a) Yes → <i>Skip to Q9</i> b) No c) I don't know</p> <p>Q8b) <i>Ask only if Q8=(b) or (c):</i> Have you <u>ever</u> had a mortgage with an adjustable interest rate? a) Yes b) No c) I don't know</p>	<ul style="list-style-type: none"> • At least 7 recruits should answer (a) to <u>either</u> Q8 or Q8b • At least 4 recruits should answer either (b) or (c) for <u>both</u> Q8 and Q8b
<p>Q9: What is your age?</p> <p>a) 18 to 35 b) 36 to 50 c) 51 or above</p>	<ul style="list-style-type: none"> • At least 2 recruits should answer (a) • At least 4 recruits should answer (b) • At least 4 recruits should answer (c)
<p>Q10: Which of the following categories best reflects your race or ethnicity? You can choose more than one category.</p> <p>a) White b) Black or African-American c) Hispanic or Latino d) Asian e) Native American or Pacific Islander</p>	<ul style="list-style-type: none"> • At least 5 recruits should respond (b), (c), (d), or (e) (<i>Respondents who choose more than one category should be counted as (b), (c), (d), or (e)</i>)
<p>Q11: What is the highest level that you reached in school?</p> <p>a) High school degree or less b) Some college work c) College graduate</p>	<ul style="list-style-type: none"> • At least 3 recruits should respond (a) • At least 4 recruits should respond (b)
<p>Q12: <i>Gender</i></p>	<ul style="list-style-type: none"> • At least 5 recruits of each gender

If participant qualifies: Based on your responses, we would like to invite you to participate in an interview, which will be held at [address of interview facility]. The interview will last about 60 minutes. We will be showing you some sample documents for you to refer to, so if you use reading glasses please be sure that you bring them. We will provide you with a \$65 stipend for participating in the interview.

APPENDIX B: PARTICIPANT DEMOGRAPHIC INFORMATION

	Towson, MD Feb. 1-2, 2012 (n=10)	Memphis, TN Feb. 29-Mar. 1, 2012 (n=10)	Los Angeles, CA Apr. 3-4, 2012 (n=11)	Total (n=31)
Gender				
Male	5	4	5	14 (45%)
Female	5	6	6	17 (55%)
Age				
18-35	2	1	1	4 (13%)
36-50	3	4	6	13 (42%)
51 or older	5	5	4	14 (45%)
Highest Level of Education				
High school degree or less	5	4	2	11 (35%)
Some college	4	4	4	12 (39%)
College graduate	1	2	5	8 (26%)
Race/Ethnicity				
Black or African American	5	7	4	16 (52%)
White or Caucasian	5	3	3	11 (35%)
Hispanic or Latino	0	0	4	4 (13%)
Difficulty Making Mortgage Payments in Past 2 Years?				
Yes	7	8	7	22 (71%)
No	3	2	4	9 (29%)
Experience with Adjustable Rate Mortgages (ARM)				
Currently has an ARM	4	3	3	10 (32%)
Previously had an ARM	2	3	4	9 (29%)
Never had an ARM	4	4	4	12 (39%)

APPENDIX C: MODEL FORMS USED IN TESTING

Round 1:
Towson, MD
February 1-2, 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
Amount Due	\$1,829.71
<i>If payment is received after 4/15/12, pay \$1,989.71</i>	

Account Information		Current Payment Due	
Property Address	4700 Oak Ridge Ln Bethesda, MD 20814	Principal	\$386.46
Remaining Loan Balance	\$264,776.43	Interest	\$1,048.07
Maturity Date	September 2039	Escrow (for Taxes and Insurance)	\$235.18
Interest Rate (Until October 2012)	4.75%	Regular Monthly Payment	\$1,669.71
Prepayment Penalty	\$35,000.00	Total Fees Charged	\$160.00
		Total Amount Due	\$1,829.71
Contact Us			
By Phone:	1-800-555-1234		
Online:	www.springsidemortgage.com		
See back for mailing addresses			

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
Total	\$1,669.71	\$5,009.13

Important Messages	
<p>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. On the back of this page, we have also provided contact information for three state- or federally-approved counseling programs in your area.</p> <p>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.</p>	

Springside Mortgage

Springside Mortgage
8100 Market Ave
Bethesda, MD 20814

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

1234567 34571892

342359127

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
- **Pay-by-phone**:** 1-800-123-4567
- **Automatic Deduction:** Enroll at 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 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. 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
- **Consumer Credit Counseling Services of Maryland and Delaware, Inc.**
757 Frederick Rd
Baltimore, MD 21228
1-866-731-8486
www.cccs-inc.org
- **St. Ambrose Housing Aid Center, Inc.**
321 E. 25th St
Baltimore, MD 21218
410-366-8550 x235
www.stambros.org
- **Housing Initiative Partnership, Inc.**
6525 Belcrest Road, Suite 555
Hyattsville, MD 20782
301-699-3835
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. 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.

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	<u>Estimated</u> 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 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

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
- St. Ambrose Housing Aid Center, Inc.
321 E. 25th St
Baltimore, MD 21218
410-366-8550 x235
www.stambros.org
- Housing Initiative Partnership, Inc.
6525 Belcrest Road, Suite 555
Hyattsville, MD 20782
301-699-3835
www.hiphomes.org

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. 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

Round 2:
Memphis, TN
February 29-March 1, 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

Contact Us	
By Phone:	1-800-555-1234
Online:	www.springsidemortgage.com
<i>See back for mailing addresses</i>	

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
Total Amount Due	\$2,849.42

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
Total	\$900.00	\$4,239.42

Important Messages	
<p>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. On the back of this page, we have also provided contact information for three state- or federally-approved counseling programs in your area.</p> <p>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.</p>	

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	\$.
Total Amount Enclosed	\$.

1234567 34571892

342359127

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
- **Pay-by-phone**:** 1-800-123-4567
- **Automatic Deduction:** Enroll at 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 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. 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
- **Financial Counselors of America**
3294 Poplar Ave, Ste 304
Memphis, TN 38111
901-722-5000 or 1-877-450-4404
www.financialcounselors.org
- **Memphis Consumer Credit Education Association**
1661 Aaron Brenner Dr, Ste 201
Memphis, TN 38120
901-321-6800
www.mccea.net
- **Memphis Housing Resource Center**
2400 Poplar Ave, Ste 220
Memphis, TN 38112
901-529-1151
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. 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.

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	<u>Estimated</u> 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 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

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
- Memphis Consumer Credit Education Association
1661 Aaron Brenner Dr, Ste 201
Memphis, TN 38120
901-321-6800
www.mccea.net
- Memphis Housing Resource Center
2400 Poplar Ave, Ste 220
Memphis, TN 38112
901-529-1151
www.mhrc.info

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. 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

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. 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

Round 3:
Los Angeles, CA
April 3-4, 2012

Springside Mortgage

Mortgage Statement

Statement Date: 3/20/2012

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

Account Number	1234567
Payment Due Date	4/1/2012
Amount Due	\$4,339.13
<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
Impound	\$235.18
Regular Monthly Payment	\$1,669.71
Total Fees and Charges	\$410.00
Overdue Payment	\$2,259.42
Total Amount Due	\$4,339.13

Contact Us	
By Phone:	1-800-555-1234
Online:	www.springsidemortgage.com
<i>See back for mailing addresses</i>	

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	

Delinquency Notice	
<p>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.</p>	
<p><i>Recent Account History</i></p> <ul style="list-style-type: none"> • 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. 	

Past Payments Breakdown		
	Paid Last Month	Paid Year to Date
Principal	\$0.00	\$383.31
Interest	\$0.00	\$1,051.22
Impound	\$0.00	\$235.18
Fees	\$0.00	\$410.00
Partial Payment (Unapplied)*	\$1,000.00	\$1,490.00
Total	\$1,000.00	\$3,569.71

Important Messages	
<p>*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.</p>	

Springside Mortgage

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

Amount Due	
Due By 4/1/2012:	\$4,339.13
<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	\$.
Total Amount Enclosed	\$.

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
- **Pay-by-phone**:** 1-800-123-4567
- **Automatic Deduction:** Enroll at 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 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. 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 3rd St
Sacramento, CA 95811
916-445-4782
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
- **Neighborhood Assistance Corporation of America – Los Angeles**
241 South Market St
Inglewood, CA 90301
310-412-2600 or 888-297-5568
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

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. 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.

Springside Mortgage

Mortgage Statement

Statement Date: 3/20/2012

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

Account Number	1234567
Payment Due Date	4/1/2012
Amount Due	Option 1 (Full): \$1,829.71
	Option 2 (Interest-Only): \$1,443.25
	Option 3 (Minimum): \$1,156.43
<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	\$260,000.00
Maturity Date	September 2039
Interest Rate (Until October 2012)	4.75%
Prepayment Penalty	\$3,500.00

Contact Us	
By Phone:	1-800-555-1234
Online:	www.springsidemortgage.com
<i>See back for mailing addresses</i>	

Explanation of Amount Due			
	Option 1 (Full)	Option 2 (Interest-Only)	Option 3 (Minimum)
Principal	\$386.46	\$0	\$0
Interest	\$1,048.07	\$1,048.07	\$761.25
Impound	<u>\$235.18</u>	<u>\$235.18</u>	<u>\$235.18</u>
Regular Monthly Payment	\$1,669.71	\$1,283.25	\$996.43
Total Fees and Charges	<u>\$160.00</u>	<u>\$160.00</u>	<u>\$160.00</u>
Total Amount Due	\$1,829.71	\$1,443.25	\$1,156.43
If you make this payment...	... your principal balance will <u>decrease</u> , and you will be closer to paying off your loan.	... your principal balance will <u>stay the same</u> , and you will <u>not</u> be closer to paying off your loan.	... your principal balance will increase . You will be borrowing more money and losing equity in your home.

Transaction Activity (2/20 to 3/19)			
Date	Description	Charges	Payments
3/16/12	Late Fee (charged because payment was received after 3/15/2012)	\$160.00	
3/19/12	Payment Received – Thank you		\$1,669.71

Past Payments Breakdown		
	Paid Last Month	Paid Year to Date
Principal	\$384.93	\$765.32
Interest	\$1,049.60	\$2,103.74
Impound	\$235.18	\$470.36
Fees	\$0.00	\$0.00
Total	\$1,669.71	\$4,239.42

Important Messages	
If You Are Experiencing Financial Difficulty: See back for information about mortgage counseling or assistance.	

Springside Mortgage

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

Amount Due	
<input type="checkbox"/> Option 1 (Full):	\$1,829.71
<input type="checkbox"/> Option 2 (Interest-Only):	\$1,443.25
<input type="checkbox"/> Option 3 (Minimum):	\$1,156.43
<i>\$160 late fee will be charged after 4/15/12</i>	
Additional Principal	\$.
Total Amount Enclosed	\$.

Payment Options

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

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- **Pay-by-phone**:** 1-800-123-4567
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Sacramento, CA 95811
916-445-4782
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
- **Neighborhood Assistance Corporation of America – Los Angeles**
241 South Market St
Inglewood, CA 90301
310-412-2600 or 888-297-5568
www.naca.com
- **Los Angeles Neighborhood Housing Services, Inc.**
3926 Wilshire Blvd, Suite 200
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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:**

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Los Angeles, CA 90010

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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. 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.

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.

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

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 or call 800-569-4287.
- California Department of Housing and Community Development
1800 3rd St
Sacramento, CA 95811
916-445-4782
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
- Neighborhood Assistance Corporation of America – Los Angeles
241 South Market St
Inglewood, CA 90301
310-412-2600 or 888-297-5568
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

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. 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

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: SECOND AND FINAL NOTICE: PLEASE PROVIDE PROOF OF INSURANCE for 4700 Oak Ridge Lane, Los Angeles, CA 90010

Dear Mr. and Mrs. Jones:

This is your **second and final notice** that our records show that your homeowners' insurance policy lapsed on February 24, 2012. We still do not have evidence that you have obtained new coverage. **Because insurance is required on your property, we may purchase force-placed 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.

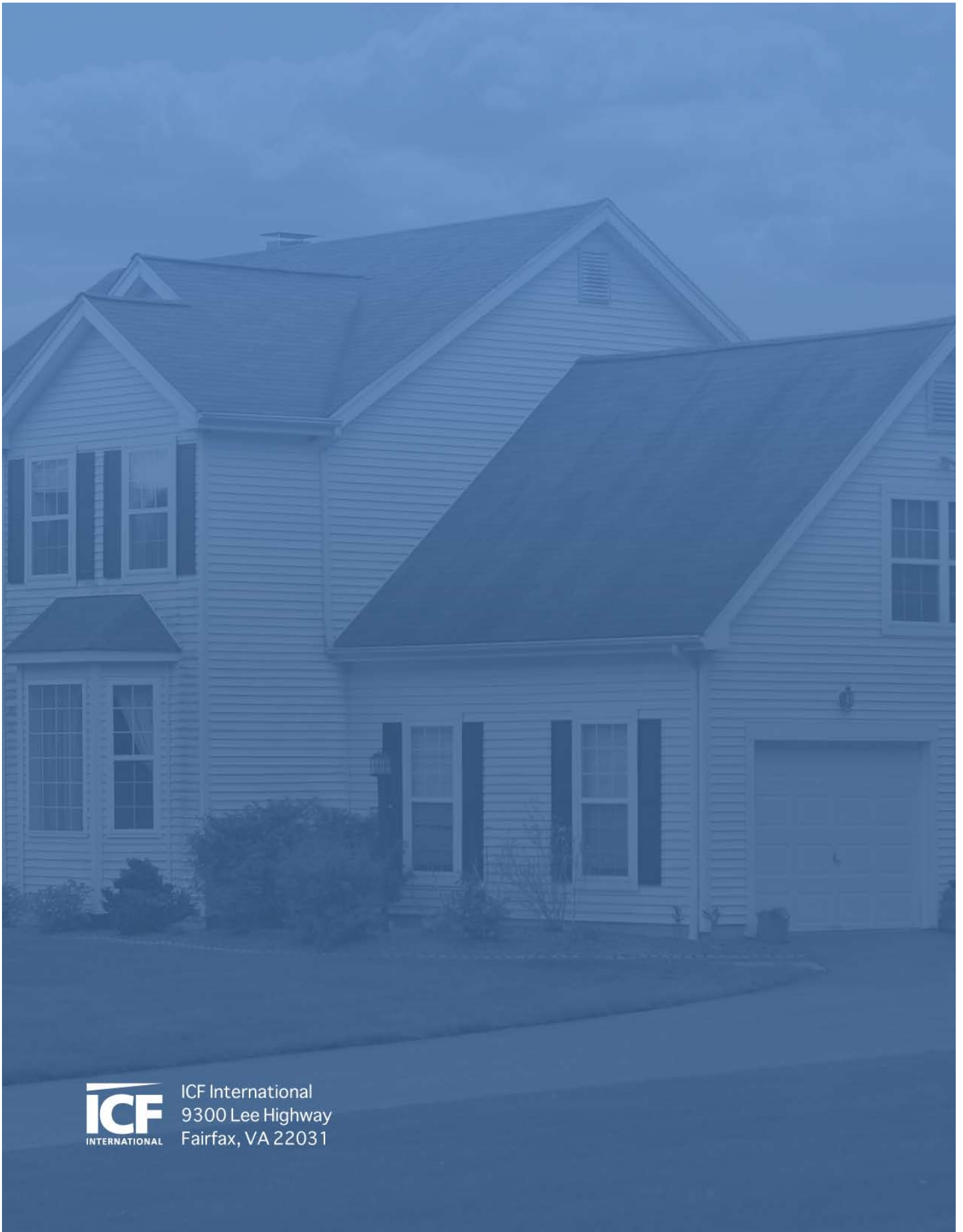
If we purchase insurance on your behalf, you will have to pay us for any period during which you did not have insurance. However, if you give us proof of insurance at any time, we will not charge you for any period during which you can prove you had your own insurance.

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. 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



ICF International
9300 Lee Highway
Fairfax, VA 22031

Consumer Mortgage Coalition

GUIDANCE REQUESTS for MORTGAGE SERVICING REGULATIONS to the BUREAU OF CONSUMER FINANCIAL PROTECTION

Updated October 30, 2013

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1. Effective Dates	The Dodd-Frank Act requires a January 2014 effective date for required rules, but some aspects of the final servicing rules exceed the required rules. Mortgage servicers and lenders are currently implementing an enormous volume of new, and very comprehensive, set of regulatory amendments. More are yet to come. The industry must acknowledge the possibility that compliance by the January 2014 dates may not be possible.	We recommend that the CFPB require compliance by January 2014 only for regulations as finalized in January 2013. Amendments finalized thereafter, however helpful, require implementation time.
2. Definition of Business Day	<p>The definition of business day is not the same in Regulation X and Z.</p> <p>The revised Regulation X frequently uses the term “days (excluding legal public holidays, Saturdays, and Sundays).” Regulation Z defines two types of business days, general and specific:</p> <p>“<i>Business day</i> means a day on which the creditor’s offices are open to the public for carrying on substantially all of its business functions. However, for purposes of rescission under §§ 1026.15 and 1026.23, and for purposes of §§ 1026.19(a)(1)(ii), 1026.19(a)(2), 1026.31, and 1026.46(d)(4), the term means all calendar days except Sundays and the legal public holidays specified in 5 U.S.C. 6103(a), such as New Year’s Day, the Birthday of Martin Luther King, Jr., Washington’s Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day.”</p> <p>Section 1026.2. Maine and Massachusetts, but not other states, observe</p>	We request clarification that, under Regulation X, servicers can elect to treat Patriots’ Day as a legal public holiday.

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	Patriots’ Day on the third Monday in April, when federal and state offices as well as many businesses are closed.	
3. Mailing as Delivery, § 1024.11	<p>Section § 1024.11 provides:</p> <p>“The provisions of this part requiring or permitting mailing of documents shall be deemed to be satisfied by placing the document in the mail (whether or not received by the addressee) addressed to the addresses stated in the loan application or in other information submitted to or obtained by the lender at the time of loan application or submitted or obtained by the lender or settlement agent, except that a revised address shall be used where the lender or settlement agent has been expressly informed in writing of a change in address.”</p> <p>This does not mention servicers, yet servicers need to deliver disclosures to borrowers. The lack of mention of servicers, by negative implication, could be read to mean that servicers who mail disclosures have not delivered them until they are received, which is not the intent and would be unworkable because it is difficult to track when mail arrives or is received.</p> <p>The appropriate delivery address may not be the address “submitted to or obtained by the lender” and may not be a revised address of which “the lender or settlement agent has been expressly informed[.]” A servicer may be notified of a change of address, then later transfer the servicing to a new servicer. The new servicer will have the correct address but may not have received notice of a <i>change</i> of address.</p> <p>The regulation in some places provides that a servicer delivers a</p>	<p>We suggest that § 11 be revised to read:</p> <p>“The provisions of this part requiring or permitting mailing of documents shall be deemed to be satisfied by placing the when the document is placed in the mail or with a private delivery service (whether or not received by the addressee) addressed to the addresses obtained by the lender, settlement agent, servicer, or other party making the disclosure, as the appropriate delivery address. If the lender, settlement agent, servicer, or other party making the disclosure, receives notice of a change in that address, it must begin using the new address within a reasonable amount of time, which shall not be less than five specific business days. stated in the loan application or in other information submitted to or obtained by the lender at the time of loan application or submitted or obtained by the lender or settlement agent, except that a revised address shall be used where the lender or settlement agent has been expressly informed in writing of a change in address.”</p> <p>Similar language in Regulation Z would be helpful.</p>

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	disclosure by putting it in the mail. <i>See</i> §§ 7(a)(2) and (b)(2); § 37(c)(1)(i); 37(d)(1); 37(e)(1)(i); 37(e)(5). However, in some places the rule is silent about whether a servicer has delivered a disclosure by mailing it. <i>See</i> § 34(b); 37(g)(2); and §§ 35 and 36.	
4. UDAAPs		Compliance with Regulation X, Regulation Z, and their commentaries should in no circumstances be an unfair and deceptive act or practice (“UDAP”) under state or federal law or a UDAAP under Dodd-Frank §§ 1031(a) or 1036(a)(1)(B).
5. Presumed Consent to Electronic Statements, Regulation Z Comment 41(c)-4	Regulation Z’s comment 41(c)-4 provides: “Any consumer who is currently receiving disclosures for any account (for example, a mortgage or checking account) electronically from their servicer shall be deemed to have consented to receiving e-statements in place of paper statements.”	This is helpful. We recommend applying this deemed consent to all disclosures under Regulations X and Z.

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TOPIC	ISSUE	RECOMMENDATION
Escrow Accounts, § 17		
6. Advancing premiums, § 17(k)(5)	<p>Section 17(k)(5) provides:</p> <p>“(i) <i>In general.</i> Except as provided in paragraph (k)(5)(iii) of this section, with respect to a borrower whose mortgage payment is more than 30 days overdue, but who has established an escrow account for the payment for hazard insurance, as defined in § 1024.31, a servicer may not purchase force-placed insurance, as that term is defined in § 1024.37(a), unless a servicer is unable to disburse funds from the borrower’s escrow account to ensure that the borrower’s hazard insurance premium charges are paid in a timely manner.</p> <p>(ii) <i>Inability to disburse funds.</i> (A) <i>When inability exists.</i> A servicer is considered unable to disburse funds from a borrower’s escrow account to ensure that the borrower’s hazard insurance premiums are paid in a timely manner only if the servicer has a reasonable basis to believe either that the borrower’s hazard insurance has been canceled (or was not renewed) for reasons other than nonpayment of premium charges or that the borrower’s property is vacant.”</p> <p>The definition of hazard insurance includes both flood and non-flood hazard insurance. Section 31.</p> <p>Suppose a servicer escrows for flood, but not any other hazard insurance, the loan is more than 30 days overdue, and the non-flood insurance premium is due. Must the servicer use the funds escrowed for</p>	<p>We request clarification that when the escrow is only for flood insurance premiums, the servicer is not required to use escrowed flood insurance premiums for non-flood or non-escrowed items.</p> <p>We request clarification that if a servicer escrows for insurance that the servicer does not require, no advances are required for that nonrequired insurance. If there is ultimately a foreclosure and there are insufficient funds to reimburse the servicing advances as well as pay the accrued interest and principal balance, the investor will likely disallow the advanced premiums. It seems reasonable that when the borrower becomes delinquent, if any of the escrowed coverage is extra or the servicer can force place coverage for an amount less than the escrowed amount but still provide the minimum investor-required coverage, the servicer should not be obligated to continue to advance for the borrower’s optional excess coverage.</p>

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	flood insurance premiums to pay for a different insurance policy? A borrower may request an escrow for insurance that the servicer does not require.	
Scope, § 30		CFPB staff advised orally on October 16, 2013 that §§ 1024.39 – 1024.41 apply only to loans secured by the borrower’s principal residence, and that a vacant property can be a principal residence but that an abandoned property cannot. <i>See</i> § 1024.30(c)(2).
7. Qualified lender, § 30(b)(3)	Section 30(b)(3) excludes from the scope of Subpart C: “A servicer with respect to any mortgage loan for which the servicer is a qualified lender as that term is defined in 12 CFR 617.7000.” 12 C.F.R. § 617.7000 provides: “ <i>Qualified lender</i> means: (1) A System institution, except a bank for cooperatives, that makes loans as defined in this section; and (2) Each bank, institution, corporation, company, credit union, and association described in section 1.7(b)(1)(B) of the Act (commonly referred to as an other financing institution), but only with respect to loans discounted or pledged under section 1.7(b)(1).”	We request clarification that this refers to servicers that are qualified lenders subject to Farm Credit Administration regulations. We request clarification whether the exclusion, for other financing institutions, applies only to loans that are loans “discounted or pledged” under § 1.7(b)(1).
Servicing Transfers, § 33		
	<i>See also</i> § 38(b)(4), which covers servicing transfers.	
8. Appropriate mailing address, comment 33(b)(3)-1	Comment 33(b)(3)-1 provides: “A servicer mailing the notice of transfer must deliver it to the	We recommend revising the language as follows: “A servicer mailing the notice of transfer must deliver it to the

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	mailing address (or addresses) listed by the borrower in the loan documents, unless the borrower has notified the servicer of a new address (or addresses) pursuant to the servicer’s requirements for receiving a notice of a change of address.” It is possible that a prior servicer, rather than a borrower, provided the change-of-address notice to the servicer who is mailing a notice, or that the borrower provided the change-of-address to a lender.	mailing address (or addresses) listed by the borrower in the loan documents, unless the borrower has notified the servicer, lender, or a prior servicer of a new address (or addresses) pursuant to the servicer’s, lender’s, or prior servicer’s requirements for receiving a notice of a change of address.”
9. Payments incorrectly sent to transferor, § 33(c)(1)	For 60 days after the transfer effective date, timely payments sent to the transferor “may not be treated as late for any purpose.” § 33(c)(1). The transferor must either send the payment to the transferee or return it to the borrower with notice of the proper recipient. § 33(c)(2). The requirement that the transferee treat the payment as timely assumes that the transferee is aware of the payment, but this will often not be the case, at least for a few days after the transferor mails the payment. Comments 33(c)(1)-2 and 39(a)-1.iii both seem to acknowledge this. Borrowers who receive the returned payment, even with clear instructions on where to send it, may not forward the payment immediately, especially if they are under financial strain. Or, the borrower may be away from home and not realize the payment was misdirected, and would not know at least to call the servicer. Comment 33(c)(1)-2 provides that a transferee’s “compliance” with § 39 (early intervention) during the 60-day period does not constitute treating a payment as late for purposes of § 33(c)(1).	To the extent the transferee has no reason to know a payment was timely sent to the transferor, has not received it, and acts as if the payment was not received, the transferee should not be held in violation of any law, policies or procedure under § 38, or any UDAP or UDAAP law. A transferee should be required to treat only one misdirected payment from the same borrower as timely. There is no need to notify borrowers repeatedly of the same information. One misdirected payment may be an error, but the second one likely is not. The borrower may assume that the transferor will not cash the check, meaning mailing a check that would bounce is a method to avoid payment. The requirement that the transferee treat a payment as timely even when the servicer has not received it should never apply to any of the servicer’s duties to investors, it should only apply to the servicer’s duties with regard to the borrower. We recommend a comment making this clear. Comment 33(c)(1)-2 talks of compliance with § 39 with respect to timely payments. Section 39 does not apply in the absence of a

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		delinquency, and the concept of compliance with the inapplicable is confusing. It would be clearer to replace “compliance” with “actions based on § 1024.39[.]”
10. Preemption, § 33(d)	Section 33(d) preempts state laws that require servicing transfer notices.	It should also expressly preempt any federal or state UDAP laws, and UDAAP laws under Dodd-Frank §§ 1031(a) or 1036(a)(1)(B).
Escrow Refunds, § 34		
11. Payment of a loan in full, § 34(b)	Section 34(b) requires escrow refunds after “payment of a mortgage loan in full[.]” After a short sale, deed-in-lieu, or sale-leaseback, whether the loan is paid “in full” may not be clear, especially in states that do not permit deficiency judgments.	When a servicer, assignee, or both agree with a borrower or borrowers on a short sale, deed-in-lieu of foreclosure, sale-leaseback, or similar nonretention foreclosure alternative, whether any escrow refund is required should be determined by that agreement.
Error Assertions, § 35		
12. Annual escrow statements available on demand at any time, comment 35(a)-2	<p>Comment 35(a)-2 provides:</p> <p>“A servicer should not rely solely on the borrower’s description of a submission to determine whether the submission constitutes a notice of error under § 1024.35(a), an information request under § 1024.36(a), or both. For example, a borrower may submit a letter that claims to be a ‘Notice of Error’ that indicates that the borrower wants to receive the information set forth in an annual escrow account statement and asserts an error for the servicer’s failure to provide the borrower an annual escrow statement. Such a letter may constitute an information request under § 1024.36(a) that triggers an obligation by the servicer to provide an annual escrow statement.”</p> <p>The obligation to provide annual escrow statements is triggered by RESPA § 10(c)(2)(B) and by § 1024.17(i). The comment quoted seems to imply that a borrower can send in a request for an annual escrow statement, that is not an error assertion, and that the information request</p>	We request clarification that an information request that does not assert an erroneous annual escrow statement does not trigger a requirement to send a new annual escrow statement.

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	“triggers” an obligation to send an annual escrow statement. This seems to imply that borrowers have the right to receive annual escrow statements monthly.	
13. Reasonable fees for nonpayment default, comment 35(b)(2)-2.iii	<p>Comment 35(b)(2)-2.iii gives examples of fees for which a servicer lacks a reasonable basis to charge, including:</p> <p>“A default property management fee for borrowers that are not in a delinquency status that would justify the charge[.]”</p> <p>Some mortgage defaults are unrelated to late payments. Borrowers are required, for example, to maintain the property and are often required to repair it if it is damaged. Failure to do so as required is a default even if all payments are timely. For example, the GSE Uniform Security Instrument provides:</p> <p>“Lender may charge Borrower fees for services performed in connection with Borrower’s default, for the purpose of protecting Lender’s interest in the Property and rights under this Security Instrument, including, but not limited to, attorneys’ fees, property inspection and valuation fees.”</p>	<p>Servicers may charge borrowers appropriate fees to protect the servicer and investor from nonpayment defaults, even if the loan is current. The quoted comment should be amended to read:</p> <p>“A default property management fee for borrowers that are not in a delinquency default status that would justify the charge[.]”</p>
14. Error under § 35(b)(7) should not include failure to provide complete loss mitigation information under § 39(b)(2),	<p>Section 35(b)(7) defines error to include:</p> <p>“Failure to provide accurate information to a borrower regarding loss mitigation options and foreclosure, as required by § 1024.39.”</p> <p>Section 39(b)(2) requires servicers to supply only “brief” loss mitigation information.</p>	We request clarification that if a servicer has provided the information required by § 39(b)(2), <i>per se</i> there can be no error under § 35(b)(7). Specifically, the definition of error should not apply when a servicer provides all the information required by § 39(b)(2) even if it is not complete and exhaustive because § 39(b)(2)(iii) requires only a “brief description of examples of loss mitigation options that may be available from the servicer.”
15. An error under	Section 35(b)(7) defines error to include:	We request clarification that the § 35(b)(7) definition of error includes

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§ 35(b)(7) should include only duties that require information disclosure	<p>“Failure to provide accurate information to a borrower regarding loss mitigation options and foreclosure, as required by § 1024.39.”</p> <p>The referenced § 39 requires actions other than providing information; it requires attempting to contact a borrower.</p>	only duties under § 39 that require disclosure of information.
16. An error under § 35(b)(8) should not include failure to transfer useless information	<p>Section 35(b)(8) defines error to include:</p> <p>“Failure to transfer accurately and timely information relating to the servicing of a borrower’s mortgage loan account to a transferee servicer.”</p> <p>Some information relates to “the servicing of a borrower’s mortgage loan” that the transferee does not need. For example, the transferee normally does not need all communications between the transferor servicer and the investor for the period before the transferee is the servicer. Likewise, identification of which employee within the transferor servicer prepared a response to a QWR, or responded to a phone inquiry, likewise is not useful to the transferee servicer. There should be no requirement to transfer useless information.</p> <p>If there is a transfer of servicing but no change in the document custodian, not all the information will need to be transferred. In this case, there should be no requirement that the transferor or custodian transfer the custodian’s files at all.</p>	<p>If the transferee and transferor servicers agree that particular information does or does not need to be transferred, failure to deliver the unnecessary should never be a violation. This way, the appropriate information will be transferred, but the regulation would not need to specify every conceivable piece of information that must be transferred in every scenario.</p> <p>We recommend revising § 35(b)(8) as follows:</p> <p>“Failure to transfer accurately and timely information relating to the servicing of a borrower’s mortgage loan account that the transferor and transferee agree should be transferred to a transferee servicer.”</p>
17. Definition of “any other error,” § 35(b)(11)	<p>Section 35(b) defines error to include, in addition a list of errors:</p> <p>“Any other error relating to the servicing of a borrower’s mortgage</p>	We request clarification that if the borrower does not specify an error, and the servicer cannot reasonably understand what error the borrower asserts, there is no error assertion.

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	loan.”	
18. Single intake address, § 35(c)	Section 35(c) permits servicers to designate an address for submissions of error assertions.	<p>We request clarification that it is permissible to designate a single address for submissions of error assertions, information requests, and QWRs.</p> <p>CFPB staff advised orally on October 16, 2013 that servicers may designate one address for error assertions, and if they do, they must include the address in periodic statements, any coupon books, and §§ 1024.39 and 1024.41 notices that contain contact information.</p>
19. Notice of right to request documents, § 35(e)(1)(i)(B)	Section 35(e)(1)(i)(B) requires responses to error assertions to state, among other things, how the borrower can request a copy of documents on which the servicer relied.	The servicer should be able to require such requests to be written so the servicer can be able to accurately determine whether a borrower made such a request.
20. Borrowers may or may not provide relevant information, § 35(e)(2)	An error resolution may require information that a borrower has and the servicer does not. The regulation does not permit the servicer to require the borrower to produce that information before investigating the asserted error, and does not permit the servicer to determine that no error occurred because the borrower failed to provide any requested information without conducting a reasonable investigation.	<p>We request clarification that when a borrower does not provide requested, relevant information, and the servicer reasonably investigates the error assertion, the servicer’s lack of that information should be a permissible basis to determine that no error occurred.</p> <p>If the servicer conducts a reasonable investigation and determines that the servicer needs information it does not possess, and determines that no error has occurred because the servicer lacks necessary information, that error notice should be deemed resolved. If the borrower thereafter supplies the missing information, that should be a new error notice subject to the full 5-day, 30-day, and 45-day response times. Otherwise, a borrower could wait until day 30 or day 45 to deliver the necessary information and the servicer would not have time for a reasonable investigation.</p>
21. Time limits, § 35(e)(3)	Section 35(e)(3)(i)(B) requires servicers to respond to assertions of (b)(9) and (b)(10) errors by the earlier of 30 days from receipt or the	The servicer should be held to a reasonableness standard. If the servicer cannot reasonably cancel or postpone a foreclosure sale, it should not be

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	<p>date of the foreclosure sale. Comment 35(e)(3)(i)(B)-1 provides:</p> <p>“If a servicer cannot comply with its obligations pursuant to § 1024.35(e) by the earlier of a foreclosure sale or 30 days after receipt of the notice of error, a servicer may cancel or postpone a foreclosure sale, in which case the servicer would meet the time limit in § 1024.35(e)(3)(i)(B) by complying with the requirements of § 1024.35(e) before the earlier of 30 days after receipt of the notice of error (excluding legal public holidays, Saturdays, and Sundays) or the date of the rescheduled foreclosure sale.”</p> <p>The statement that servicers “may” cancel or postpone a foreclosure sale is not necessarily true. They will not be able to do so in all cases.</p>	<p>required to respond to the error assertion before the sale. It should be permissible to respond within 30 days and to take any appropriate remedial steps.</p> <p>Otherwise, borrowers would use this as a means to delay an appropriate foreclosure. Borrowers would submit baseless error assertions at the last minute for the purpose of delaying foreclosures.</p>
22. 15-day extension should be available long before a foreclosure sale, § 35(e)(3)	<p>The general response time for error assertions is 30 days, extendable to 45 days upon notice to the borrower. The 15-day extension is not always available. Asserted (b)(9) and (b)(10) errors, which relate to foreclosures, require responses by the earlier of 30 days or the date of foreclosure, § 35(e)(3)(i)(C), without any extension, § 35(e)(3)(ii).</p> <p>If the foreclosure sale is scheduled for more than 45 days in the future, the servicer should be able to extend the response time.</p>	The 15-day statutory extension should be available if the error assertion is received more than 45 days before a scheduled foreclosure sale.
23. Borrower requests for information on which servicer relied – multiple requests, § 35(e)(4)	Section 35(e)(4) requires servicers to provide upon request “copies of documents and information relied upon by the servicer in making its determination that no error occurred[.]” If a servicer provides all documents required to be provided, the request should be closed and responses to further requests for documents relied on should not be required.	<p>After providing requested documents, the servicer should not be required to respond to requests for further documents on which it relied.</p> <p>We request clarification that if the servicer determines an error did occur and corrects it, providing documents relied on is unnecessary.</p>
24. Attorney work product	Section 35(e)(4) does not require servicers to supply information that is	It should be clear that servicers are also not required to divulge

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should not be subject to mandatory disclosure, § 35(e)(4)	confidential, proprietary, or privileged.	information protected by the attorney work-product doctrine, even if that information is not privileged. These terms are not synonymous. See Federal Rule of Evidence 502 .
25. General descriptions of materials withheld should be sufficient, § 35(e)(4)	<p>Section 35(e)(4) provides:</p> <p>“If a servicer withholds documents relied upon because it has determined that such documents constitute confidential, proprietary or privileged information, the servicer must notify the borrower of its determination in writing within 15 days[.]”</p>	<p>It should be permissible for servicers to include a general description of materials withheld, to meet the 15-day deadline. It may not be reasonably possible to produce a privilege log that quickly, and one should not be required. A statement such as the following should be permissible:</p> <p>“We are not required to provide you with materials that are confidential, proprietary, privileged, or that are attorney work-product. We do not include any such information.”</p>
26. Frivolous or abusive error assertions should not require a response, § 35(g)	The error resolution process is not required when an error notice alleges a duplicative or overbroad error. That could mean it does apply to frivolous or abusive error assertions. For example, habitual late payers could send a baseless, but different, error assertion for each late payment to delay adverse, but accurate, credit reporting.	The error resolution procedure should not apply to frivolous or abusive error assertions.
27. Error assertions that are the subject of pending litigation should not require a response, § 35(g)		We recommend that servicers should not be required to respond to error assertions that are the subject of pending litigation because any response requirement would interfere with the discovery process overseen by neutral courts and the rules of procedure and evidence.
28. Error assertions buried in abusive error assertions, § 35(g)(1)(ii)	<p>§ 35(g)(1)(ii) provides:</p> <p>“To the extent a servicer can reasonably identify a valid assertion of an error in a notice of error that is otherwise overbroad, the servicer shall comply with the requirements of paragraphs (d), (e) and (i) of this section with respect to that asserted error.”</p>	<p>It is not clear how servicers are to reconcile these two provisions. We recommend an additional example of an overbroad or unduly burdensome error assertion:</p> <p>“A submission that is unreasonably lengthy in relation to what it appears to assert.”</p>

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	<p>Comment 35(g)(1)(ii)-1.iii appears to contradict the regulation. It provides that an unduly burdensome error assertion includes:</p> <p>“Assertions of errors in a form that is not reasonably understandable or is included with voluminous tangential discussion or requests for information, such that a servicer cannot reasonably identify from the notice of error any error for which § 1024.35 requires a response.”</p>	
29. Notice to borrower that servicer is not required to respond to error assertion, §35(g)(2)	<p>Section 35(g)(2) provides:</p> <p>“If a servicer determines that, pursuant to this paragraph (g), the servicer is not required to comply with the requirements of paragraphs (d), (e) and (i) of this section, the servicer shall notify the borrower of its determination in writing not later than five days (excluding legal public holidays, Saturdays, and Sundays) after making such a determination. The notice to the borrower shall set forth the basis under paragraph (g)(1) of this section upon which the servicer has made such determination.”</p> <p>Borrowers can repeatedly send the servicer the same notice of error over and over again, and the servicer would have to send the non-responsive response each time. This is unduly burdensome on the servicer and offers no consumer benefit.</p>	CFPB staff advised orally on October 16, 2013 that when servicers receive duplicative requests for information already provided, servicers must send a notice that the servicer is not providing the information because it is duplicative. The advise implied that it applies to duplicative error assertions as well.
30. Limits on adverse credit reporting, § 35(i)	<p>Section 35(i) provides:</p> <p>“After receipt of a notice of error, a servicer may not, for 60 days, furnish adverse information to any consumer reporting agency regarding any payment that is the subject of the notice of error.”</p>	<p>To prevent borrower abuse, this prohibition should not apply after a servicer determines that a response is not required. Otherwise, habitual late payers could send a baseless, but different, error assertion for each late payment to delay adverse, but accurate, credit reporting.</p> <p>Moreover, HAMP does not permit servicers to cease credit reporting.</p>

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		<p>HAMP Handbook for Servicers of Non-GSE Loans, version 4.3, Chapter II § 12.2 (September 16, 2013), requiring full file reporting for HAMP modifications. Full-file reporting is also required for:</p> <ul style="list-style-type: none"> • Home Affordable Unemployment Program, Ch. III § 6.2; • Home Affordable Foreclosure Alternative Program (“HAFA”); reporting must specify whether the account was current or past due before the HAFA transaction, and reporting for short sales and deeds in lieu of foreclosure is specified, Ch. IV § 11.2; • Second Lien Modification Program, with reporting specified for trial periods, modifications, and extinguished debt, Ch. V § 10.1; • FHA Refinance: when second liens are fully extinguished, reporting must show the loan was not fully paid, and the payment history is retained. For partial extinguishment, reporting must show the loss mitigation details, Ch. VII § 5.3.
Information Requests, § 36		
31. Scope of requests that require responses, § 36(a) and 36(f)(1)(iii)	<p>The § 35 definition of error is limited to servicing-related errors. There is no analogous definition of information request. A QWR that requests information “relating to servicing the mortgage loan” is an information request, but non-QWR information requests do not need to relate to servicing.</p> <p>Section 36(f)(1)(iii) says servicers do not need to respond to requests for information that is not directly related to the borrower’s mortgage loan account. However, this is not limited to servicing information. It apparently requires servicers to provide any requested origination information. The CFPB states in its section-by-section analysis:</p>	<p>Including origination information in the scope of the information request procedures would create a “back-door” discovery process, especially in light of both the ability-to-repay rule and the Administration’s approach to disparate impact liability. We agree with the CFPB that discovery should be overseen by an impartial judge who can weigh the importance of the information against the costs of producing it.</p> <p><u>Ability-to-Repay “Back Door” Discovery</u></p> <p>Consumers will have an incentive to establish that a purported QM loan was not a QM loan, and will use this servicing rule for pre-litigation fishing expeditions. As this was not the CFPB’s intent, we recommend</p>

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	<p>“[T]he Bureau does not believe that the information request procedures should replace or supplant civil litigation document requests and should not be used as a forum for pre-litigation discovery.”</p> <p>78 Fed. Reg. 10696, 10761 (Feb. 14, 2013).</p>	<p>adding additional examples of irrelevant information to comment 36(f)(1)(iii), including:</p> <ul style="list-style-type: none"> Information that relates to whether the loan was originated in compliance with the ability-to-repay rule, 12 C.F.R. § 1026.43; Information that relates to the whether points and fees on the loan, as defined in 12 C.F.R. § 1026.32(b), exceeded a threshold under the QM definition, the HOEPA definition, a similar definition under state law, or under § 941 of the Dodd-Frank Act (risk retention). <p><u>Disparate Impact “Back-Door” Discovery</u></p> <p>Borrowers have a strong incentive to show that a loan was originated, serviced, or treated in the secondary market, with a “disparate impact” on a class, or on classes, of borrowers. Such allegations can lead to large settlements without actual showing of impropriety, thereby providing a strong incentive to use this servicing rule for pre-litigation fishing expeditions. As this was not the CFPB’s intent, we suggest additional examples in the same comment, including:</p> <ul style="list-style-type: none"> Information that relates to any loan other than the borrower’s loan that is serviced by the servicer to whom the information request is made; Information that relates to any loan application or loan applicant other than the borrower’s application and the borrower; Information that relates to any borrower or loan applicant other than the borrower who made, or on whose behalf was made, the information request; Information that relates to the practices of the servicer or the originating lender in connection with loans, loan applications, and

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		<p>loan defaults generally, including the borrower’s loan and other loans, borrowers, or applicants.</p> <p><u>Risk Retention is Irrelevant to Consumers</u></p> <p>Comment 36(f)(1)(ii)-1.i treats as confidential, proprietary or privileged information regarding the servicer’s profitability and information provided to investors. Risk retention information does not affect the borrower’s obligations, the borrower’s loan payments, or any aspects of the borrower’s experience with the loan, so servicers should not be required to produce this information outside of actual discovery overseen by an impartial judge. We suggest adding to the examples:</p> <p>“Information that relates to any risk retention or other requirement that may arise in connection with the loan or its securitization, under Dodd-Frank § 941.”</p>
32. Single intake address, § 36(b)	Section 36(b) permits servicers to designate an address for submissions of information requests.	<p>We request clarification that it is permissible to designate a single address for submissions of error assertions, information requests, and QWRs.</p> <p>CFPB staff advised orally on October 16, 2013 that servicers may designate one address for information requests, and if they do, they must include the address in periodic statements, any coupon books, and §§ 1024.39 and 1024.41 notices that contain contact information.</p>
33. Reasonableness standard of information availability does not consider all relevant information; additional	Comment 36(d)(1)(ii) provides examples of when information is or is not available, using the terms “ordinary course of business,” “extraordinary efforts,” and “reasonable efforts.” These are subjective standards, so it is not clear what compliance requires.	<p>A reasonableness standard should apply to § 36(d)(1) as well as to § 36(f)(1)(iv). A reasonableness standard needs to weigh both:</p> <ul style="list-style-type: none"> The servicer’s actual costs, in both time and money; The usefulness of the information to the borrower in understanding the terms of the loan and security instrument, or in performing on

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examples needed, comment 36(d)(1)(ii)	<p>For example, comment 36(d)(1)(ii)-2.iii gives an example of information being available “through reasonable efforts in the ordinary course of business” when the servicer has a legal right to access the information and the actual ability to find it. This does not consider the cost of traveling to the facility and making the search.</p> <p>The examples seem to consider whether it is physically possible to retrieve the information before the deadline, which is appropriate. However, none of the examples considers the cost to the servicer, and none weigh that cost against the usefulness of the information to the borrower for an appropriate purpose.</p> <p>Section 36(f)(1)(iv) does not require a response to information requests that are unduly burdensome, using a reasonableness standard:</p> <p>“An information request is unduly burdensome if a diligent servicer could not respond to the information request without either exceeding the maximum time limit permitted by paragraph (d)(2) of this section or incurring costs (or dedicating resources) that would be unreasonable in light of the circumstances.”</p>	<p>the loan.</p> <p>A reasonableness standard should not take into account the usefulness of the information to the borrower for “back-door” discovery or other inappropriate purposes.</p> <p>We urge additional, much more specific, examples, such as:</p> <ul style="list-style-type: none"> • If a servicer stores requested information offsite, or in a form that is likely not accessible to the borrower, then whether the information is available depends on whether the servicer can retrieve the information, in a format likely accessible to the borrower, within the time limits in § 36(d)(2), at a cost that is reasonable, in relation to the apparent usefulness of the information to the borrower’s understanding of the terms of the loan and security instrument or the borrower’s performance on the loan. • If a servicer stores requested information offsite, and in the ordinary course of business goes to the off-site storage facility once per calendar month, the information is available only if the servicer can obtain the information in a regular trip to the offsite facility in time to retrieve the information and deliver it in accordance with § 36(d) within the time limit in § 36(d)(2). • If a servicer stores requested information in a location where there was an accident, disaster, power failure, snowstorm, or similar event that makes delivering the information within the § 36(d)(2) deadline unreasonably difficult, the information is unavailable.
34. Format of information provided, comments 36(d)(1)(ii)-2.i and	<p>Comment 36(d)(1)(ii)-2.i provides that information is available when:</p> <p>“The servicer’s personnel have access in the ordinary course of</p>	<p>If a servicer has available a recording of a relevant call but not a transcript of it, the servicer is not required to transcribe the call to comply with the information request requirements. If the format of the</p>

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36(f)(1)(iv)-1.iii	<p>business to audio recording files with organized recordings or transcripts of borrower telephone calls and can identify the communication referred to by the borrower through reasonable business efforts.”</p> <p>Comment 36(f)(1)(iv)-1.iii provides that information need not be delivered:</p> <p>“[I]n specific formats, such as in a transcript, letter form in a columnar format, or spreadsheet, when such information is not ordinarily stored in such format[.]”</p>	<p>recording is not compatible with consumer devices, must the servicer deliver something the consumer cannot use?</p>
35. Frivolous or abusive information requests should not require a response, § 36(f)(1)	<p>Section 36(f)(1) provides that servicers are not required to respond to information requests that are duplicative, overbroad, or unduly burdensome. This could mean a response is required to frivolous or abusive information requests.</p> <p>Comment 36(f)(1)(iv)-1 provides examples of overbroad or unduly burdensome requests that are similar to abusive QWRs under current law. This is appropriate.</p> <p>However, we are concerned that when those abusive requests no longer require responses, the abusive requests will change form just enough to fall outside the examples in this comment. For example, instead of sending one overbroad request, new requests may take the form of a large number of narrow, but not overlapping, requests. This would defeat the purpose of preventing abusive requests.</p>	<p>Frivolous or abusive requests should not require a response. Examples in a regulation or commentary would be helpful. We suggest the following examples:</p> <ul style="list-style-type: none"> • Apparent back-door discovery requests, even if not, individually, overbroad or unduly burdensome. For this purpose, multiple information requests regarding the same loan may be considered together even if submitted separately or at different times. • Requests about underwriting standards that the loan originator used or did not use. • Requests for information about how a lender, settlement agent, or mortgage broker set or sets loan terms or loan charges. • Requests for information about how a servicer set or sets its servicing or default charges. • Requests for information about how a service provider set or sets its charges. • Requests about any risk retention requirements that may be

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		<p>applicable to the loan.</p> <ul style="list-style-type: none"> Requests about a different loan, even if the servicer is the same servicer. <p>CFPB staff advised orally on October 16, 2013 that:</p> <ul style="list-style-type: none"> Servicers are not required to produce information they do not have, but that they are required to produce origination information, such as a note, in response to a request. The servicing file is a subset of the entire mortgage file. This implies that a request for the entire file is not overbroad under comment 36(f)(1)(iv)-1.i. Staff advised that what is overbroad depends on the facts and circumstances. They suggested servicers might want to give borrowers a key to abbreviations, or a data dictionary of the types of information available. A request for information in a specific format that the servicer does not “ordinarily store” the information would be considered unduly burdensome.
36. Requests for information that are the subject of pending litigation should not require a response, § 36(f)		We recommend that servicers should not be required to respond to requests for information that are the subject of pending litigation because any response requirement would interfere with the discovery process overseen by neutral courts and the rules of procedure and evidence.
37. Attorney work product should not be subject to mandatory disclosure, § 36(f)(1)(iii)	Section 36(f)(1)(ii) does not require servicers to supply information that is confidential, proprietary, or privileged.	It should be clear that servicers are also not required to divulge information protected by the attorney work-product doctrine, even if that information is not privileged. These terms are not synonymous. See Federal Rule of Evidence 502.
38. Information requests buried in abusive	Section 36(f)(1)(iv) provides:	It is not clear how servicers are to reconcile these two provisions. We recommend an additional example of overbroad or unduly burdensome

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information requests, § 36(f)(1)(iv)	<p>“To the extent a servicer can reasonably identify a valid information request in a submission that is otherwise overbroad or unduly burdensome, the servicer shall comply with the requirements of paragraphs (c) and (d) of this section with respect to that requested information.”</p> <p>Comment 36(f)(1)(iv)-1.i appears to contradict the regulation. It provides that an unduly burdensome request includes:</p> <p>“Requests for information that are not reasonably understandable or are included with voluminous tangential discussion or assertions of errors[.]”</p>	<p>information requests:</p> <p>“A submission that is unreasonably lengthy in relation to what it appears to request.”</p>
39. Notice to borrower that servicer is not required to respond to information request, § 36(f)(2)	<p>Section 36(f)(2) provides:</p> <p>“If a servicer determines that, pursuant to this paragraph (f), the servicer is not required to comply with the requirements of paragraphs (c) and (d) of this section, the servicer shall notify the borrower of its determination in writing not later than five days (excluding legal public holidays, Saturdays, and Sundays) after making such a determination. The notice to the borrower shall set forth the basis under paragraph (f)(1) of this section upon which the servicer has made such determination.”</p> <p>Borrowers can repeatedly send the servicer the same request for information over and over again, and the servicer would have to send the non-response notice each time.</p>	CFPB staff advised orally on October 16, 2013 that when servicers receive duplicative requests for information already provided, servicers must send a notice that the servicer is not providing the information because it is duplicative.
40. General descriptions of materials withheld	If a servicer determines that it is not required to deliver requested information, it must notify the borrower within only five days:	It should be permissible for servicers to include a general description of materials withheld, to meet the 5-day deadline. It would usually not be

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should be sufficient, § 36(f)(2)	“The notice to the borrower shall set forth the basis under paragraph (f)(1) of this section upon which the servicer has made such determination.”	possible to produce a privilege log in only five days, and one should not be required. A statement such as the following should be permissible: “We are not required to provide you with materials that are confidential, proprietary, privileged, or that are attorney work-product. We do not include any such information.”
Force-Placed Insurance, § 37		
41. Servicers need to be able to require sufficient insurance coverage, § 37	There have been court cases questioning whether servicers can require required insurance. <i>See</i> : <i>Lass v. Bank of America</i> , 695 F.3d 129 (1st Cir. 2012), reversing dismissal of claims, holding that lender did not have discretion to modify the flood insurance requirement during the life of the loan. <i>Ellsworth v. U.S. Bank</i> , 908 F.Supp.2d 1063 (N.D. Ca. 2012), denying lender’s motion to dismiss a putative class action because the mortgage can be read to restrict lender’s discretion in force-placing flood insurance. <i>Casey v. Citibank, et. al.</i> 5:12-cv-820 (N.D.N.Y. 2013), denying motion to dismiss claims that mortgages did not permit servicer to increase the amount of required flood insurance coverage. <i>Arnett v. Bank of America</i> , 874 F. Supp.2d 1021 (D. Or. 2012), denying defendant’s motion for judgment on the pleadings in putative class action because the mortgage does not give the mortgagee the right to set the amount of flood insurance required.	We request that the CFPB make very clear that: <ul style="list-style-type: none"> • A servicer that complies with § 37 has the right to require insurance coverage in an amount, and of a type, that the servicer determines is permitted or required by the security instrument, investor guidelines, safety and soundness standards, or that is required by law. • The servicer may require more flood insurance coverage than the NFIA requires, such as to cover the replacement cost of the property. This is an important protection that can prevent consumers from losing their homes, as well as a safety and soundness requirement. • The amount of required insurance coverage may increase during the life of the loan. • A property that was not in a special flood hazard area (“SFHA”) at origination may, in the future, be designated as in an SFHA, in which case the servicer should be able to require an appropriate amount of flood insurance coverage.

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	This type of litigation should be unnecessary. Consumers can be seriously harmed by insufficient insurance coverage. For that very reason, servicers have a right to require insurance coverage in an amount, and of a type, that is permitted or required by the security instrument, investor guidelines, safety and soundness standards, or that is required by law.	
42. Servicers need to require flood insurance when not required by the FDPA, § 37(a)	Section 37(a) provides: “For the purposes of this section, the term ‘force-placed insurance’ means hazard insurance obtained by a servicer on behalf of the owner or assignee of a mortgage loan that insures the property securing such loan.” The definition does not include flood insurance required by the FDPA. Section 37(a)(2)(i). Servicers sometimes require flood insurance: <ul style="list-style-type: none"> • On properties in an SFHA but not in a participating community, so the FDPA does not apply and does not require insurance. • On properties in an SFHA but in a Coastal Barrier Resource Act (“CBRA”) and Otherwise Protected Areas (“OPA”) zones, where the FDPA does not apply and does not require insurance. • On a property that was designated as in an SFHA at origination, and later designated as out of an SFHA. • On a property that is in certain areas not in an SFHA, such as a Mississippi Grant Program. The Model Notices appear only to apply to instances where insurance “is required.” Required by whom or what is unclear.	Servicers should be able to require insurance coverage even when not mandated by applicable law or when not available under the FDPA. This is both a consumer protection and a safety and soundness protection. The CFPB should state in a comment that the statement in the Model Form MS-3(D) that insurance “is required” can mean is required by the servicer even if it is not required by applicable law, or was required when making, increasing, extending, or renewing a loan, even if the property is no longer in a SFHA (<i>see</i> the next item).

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43. Definition of force-placed insurance and properties remapped out of a SFHA, § 37(a)(2)	<p>Section 37(a)(2) defines force-placed insurance to exclude insurance required by the FDPA. What is the status of flood insurance retained on a property that is remapped out of a SFHA (or on a property that is in a CBRA, OPA, or non-participating community)?</p> <p>If a servicer requires flood insurance on a property for the life of the loan, even if the property is remapped out of a SFHA after origination, such insurance should not be considered force-placed insurance unless the servicer is required to force-place an NFIP MPPP policy or force-place a private flood insurance policy. Continued maintenance of a borrower-purchased flood insurance policy obtained as a condition of origination is not force-placement. This is consistent with § 1024.17 which distinguishes force-placed insurance from situations in which a servicer renews borrowers' own hazard insurance policies. We seek clarity of this fact. It appears that the regulation permits renewal of flood insurance only if the property remains designated as in an SFHA or the borrower consents. Requiring servicers to track SFHAs after a mortgage loan is originated is inconsistent with the FDPA and its implementing regulations.</p> <p>We note that the laws governing flood insurance are not federal consumer financial laws within the CFPB's authority. Congress expressly directed prudential regulators to require lenders to look at SFHA status at origination but not throughout the life of the loan:</p> <p>“[B]y regulation direct regulated lending institutions— (A) not to make, increase, extend, or renew any loan secured by improved real estate or a mobile home located or to be located in an area that has been identified by the Administrator as an area having</p>	<p>In all cases, we believe that obtaining or renewing a borrower-purchased flood insurance policy even if not mandated by the FDPA is not force-placed insurance and does not trigger § 37. Otherwise stated, servicers that continue to escrow and pay for borrower-purchased flood insurance on a property that was located in a SFHA at origination but is later remapped out of a SFHA should not be considered to be force-placing insurance. Because servicers are not required to track the continuing SFHA status of a property by law, servicers can and sometimes do require flood insurance for the life of the loan even if not mandated by FDPA to do so.</p>

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	<p>special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968 [42 U.S.C. 4001 et seq.], unless the building or mobile home and any personal property securing such loan is covered for the term of the loan by flood insurance in an amount at least equal to the outstanding principal balance of the loan or the maximum limit of coverage made available under the Act with respect to the particular type of property, whichever is less[.]”</p> <p>42 U.S.C. § 4012a(b)(1) (emphasis added). Required insurance premiums must be escrowed in certain circumstances, 42 U.S.C. § 4012a(d), but “[t]his subsection shall apply only with respect to any loan made, increased, extended, or renewed after the expiration of the 1-year period beginning on September 23, 1994.” <i>Id.</i> at (d)(5) (emphasis added). This does not require servicers to track whether a property that was in a SFHA at origination remains in one. The prudential regulators considered, but rejected, requiring servicers to track whether properties remain designated as in SFHAs:</p> <p>“Proposed question and answer 2 explained that, upon a FEMA map change that results in a building or mobile home securing a loan being removed from an SFHA, a lender is no longer obligated to require mandatory flood insurance. The Agencies received one comment from an industry group suggesting the guidance in proposed question and answer 2 be amended to add language encouraging lenders to promptly remove the flood insurance requirement from a loan when the building or mobile home securing the loan is removed from an SFHA by way of a map change. The decision to require flood insurance in these instances is typically</p>	

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	<p>made on a case-by-case basis, depending on a lender's risk management practices. The Agencies do not believe that a blanket statement encouraging lenders to remove flood insurance in such instances is an appropriate position; therefore, the question and answer is adopted as proposed."</p> <p>74 Fed. Reg. 35914, 35916 (July 21, 2012). And:</p> <p>"The agencies reiterate their view that the Reform Act does not require lenders to engage in retroactive or prospective portfolio reviews or any other specific method for carrying out their responsibilities under the Federal flood insurance statutes. The Reform Act clearly requires lenders to check the status of security property for loans when triggered by the statutory tripwires. The Reform Act did not add remappings to the list of statutory tripwires. The Reform Act does not require lenders to monitor for map changes, and the agencies will not impose such a requirement by regulation."</p> <p>61 Fed. Reg. 45684, 45693 (August 29, 1996).</p> <p>The prudential regulators do not have authority to require life-of-loan map tracking. The prudential regulators are, but not the CFPB is not, authorized to implement flood insurance laws. The CFPB does not have authority to require life-of-loan map tracking that Congress and the prudential regulators have explicitly rejected.</p>	
44. Insurance as a condition of a loan when voluntary coverage is	When voluntary insurance coverage is unavailable, lenders may require the borrower to enter into the lender's force-placed insurance program as a condition of making the loan.	We recommend that in these cases, the insurance not be defined as force-placed under § 37(a)(2).

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unavailable, § 37(a)(2)		
45. Reasonable response time, § 37(c) and (g)	Section 37(c) requires servicers to notify borrowers before force-placing insurance. Section 37(g) requires servicers to refund premiums for duplicative force-placed insurance if the borrower demonstrates sufficient insurance coverage, but apparently without any requirement that the borrower act in a reasonable amount of time.	We recommend that servicers be permitted to require borrowers who have sufficient insurance coverage to demonstrate that coverage to the servicer within a reasonable amount of time, such as 60 days from the first date of coverage, as a prerequisite to applicability of § 37(g).
46. Evidence demonstrating insurance, comment 37(c)(1)(iii)-2	<p>Comment 37(c)(1)(iii)-2 makes clear that a servicer may require a declaration page or other similar information, and may reject evidence of insurance that does not "provide[] confirmation" of the information. This is quite helpful.</p> <p>The same standard should apply uniformly, including under §§ 37(d)(2)(ii), (e)(1)(ii), and (g). There is a cross-reference to this comment in comment 37(e)(1)-1, which is also quite helpful. There is no cross-reference in comments under §§ 37(d)(2)(ii) or (g). The standard under these provisions, absent a comment, would be "evidence demonstrating" insurance coverage. Evidence may be substantially less reliable or accurate than a declaration page, and may not be a confirmation at all.</p>	We recommend cross-referencing comment 37(c)(1)(iii)-2 in comments under §§ 37(d)(2)(ii) and (g), to make clear that the same standard applies under those provisions as well.
47. Additional information in a disclosure, § 37(c)(4), (d)(4), (e)(4)	The regulation prohibits including additional information on the insurance notices. Some additional information may be appropriate.	<p>We request model language for disclosures as follows:</p> <ul style="list-style-type: none"> • A statement providing the borrower with the correct mortgagee clause; this ensures the documentation for next year's renewal makes it to the right place, potentially avoiding the need for notification again next year. This is both a consumer convenience and a courtesy. • For bankruptcy cases, language that this disclosure is not an attempt to collect a debt. The section-by-section analysis in Regulation Z

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		<p>contains this language:</p> <p>“For example, servicers may include a statement such as: ‘To the extent your original obligation was discharged, or is subject to an automatic stay of bankruptcy under Title 11 of the United States Code, this statement is for compliance and/or informational purposes only and does not constitute an attempt to collect a debt or to impose personal liability for such obligation. However, Creditor retains rights under its security instrument, including the right to foreclose its lien.’”</p> <p>78 Fed. Reg. 10902, 10966 (February 14, 2013). We request incorporation of this language into Regulation X or its commentary so that its use would be protected.</p> <ul style="list-style-type: none"> • A statement alerting the borrower that the servicer will offer or establish an escrow account for payment of the insurance premiums. • A statement that the insurance may not protect the consumer’s interest in the property. <p>We also request clarification that it is permissible to include the loan number on the disclosures. This is important for borrowers who have more than one property, and it is important for servicers’ need to manage their records.</p> <p>CFPB staff advised orally on October 16, 2013 that servicers may include additional information on a separate page in the same transmittal. Staff also advised that in the future the CFPB may amend the prohibition on additional information on the same page.</p>
48. Additional pages,	The regulation requires notices to be separate:	It should be permissible to include additional information on the second

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§ 37(c)(4), (d)(4), (e)(4)	<p>“A servicer may not include any information other than information required by [specified] paragraphs [varies] in the written notice required by [specified] paragraph [varies]. However, a servicer may provide such additional information to a borrower on separate pieces of paper in the same transmittal.”</p>	<p>side of one piece of paper. This would be consistent with comments 39(b)(2)-1 and -2, which permit servicers to combine 45-day delinquency notices with other information as long as all statements meet the clear and conspicuous standard of § 32(a)(1).</p>
49. Estimated premiums, § 37(d)(2)(i)(D), (e)(2)(viii)(C)	<p>Notices under § 37(d)(2) and (e)(2) require an estimate of insurance premiums when the servicer does not know the exact cost. It is unclear how servicers will be required to estimate premiums. Comment 37(e)(2)(i)(D)-1 states that the estimates must be based on information “reasonably available” to the servicer when the disclosure is provided, but it is not clear what type of information servicers must or may use.</p> <p>The comment also states that an estimate based on the borrower’s delinquency status is permissible, but does not state whether servicers must consider delinquency status in all cases.</p> <p>The model forms note that the premium may be estimated, but draw very little attention to the word “estimated.”</p>	<ul style="list-style-type: none"> • The fact that an estimated premium amount turns out to be incorrect should <i>per se</i> not be a violation of § 37, a UDAP, or a UDAAP. • We suggest examples of how servicers will be permitted to estimate premiums, such as: <ul style="list-style-type: none"> ○ Give a range of dollar amounts; ○ Use the average premium of force-placed insurance at any point in the past twelve months on a sample of loans, regardless of how the sample is selected; ○ Use 150 percent of the cost of the most recent voluntary insurance policy on the property. • Servicers should be permitted to draw attention to the fact that a premium amount is estimated, such as on the back of the page or on a separate piece of paper. Statements that the estimate is not from an insurer, is not based on the same information an insurer would use, and that the actual cost may be much different than the estimate, all should be permitted.
50. Renewal of policies that predate January 10, 2014, § 37(e)	There will be some force-placed policies in effect on January 10, 2014.	CFPB staff advised orally on October 16, 2013 that a policy that predates January 10, 2014 and renews after January 10, 2014 needs a renewal notice under § 37(e) but not the notices for new policies under § 37(c)(1) or (d).
51. Annual renewal notices, § 37(e)(5)	Section 37(e)(5) requires annual renewal notices, but does not define “year” as a calendar year or 365 days. It provides:	We request clarification that a servicer may send a renewal notice before the policy expires, and renew the policy on the expiration date.

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	<p>“A servicer is not required to provide the written notice required by paragraph (e)(1) of this section more than once a year.”</p>	<p>We also request clarification of annual notice timing. If a servicer sends a notice on June 1 in year 1, is the next notice due by the next June 1, or by December 31, in year 2? Operationally, it may be easier to send the notices at the same time in each calendar year. This should be permissible. This would be consistent with annual notices under Regulation P (consumer financial privacy) § 1016.5, which provides this reasonable flexibility:</p> <p>“(a)(1) <i>General rule.</i> You must provide a clear and conspicuous notice to customers that accurately reflects your privacy policies and practices not less than annually during the continuation of the customer relationship. <i>Annually</i> means at least once in any period of 12 consecutive months during which that relationship exists. You may define the 12-consecutive-month period, but you must apply it to the customer on a consistent basis.</p> <p>(2) <i>Example.</i> You provide a notice annually if you define the 12-consecutive-month period as a calendar year and provide the annual notice to the customer once in each calendar year following the calendar year in which you provided the initial notice. For example, if a customer opens an account on any day of year 1, you must provide an annual notice to that customer by December 31 of year 2.”</p>
52. Refunds, § 37(g)(2)	<p>Section 37(g)(2) requires that , after cancelling a policy, servicers must:</p> <p>“Refund to such borrower all force-placed insurance premium charges and related fees paid by such borrower for any period of overlapping insurance coverage and remove from the borrower’s account all force-placed insurance charges and related fees for such</p>	<p>CFPB staff advised orally on October 16, 2013 that the servicer may make a direct refund or place the refund in the borrower’s escrow account.</p>

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	<p>period that the servicer has assessed to the borrower.”</p>	
53. <i>Bona fide</i> and reasonable charge, § 37(h)(2)	<p>Section 37(h)(2) requires charges for force-placed insurance to be <i>bona fide</i> and reasonable, defined as:</p> <p>“[A] charge for a service actually performed that bears a reasonable relationship to the servicer’s cost of providing the service, and is not otherwise prohibited by applicable law.”</p>	<p>We request clarification that the charge can include the cost of premiums, as well as the servicer’s cost of administering its force-placed insurance.</p>
Servicing Policies and Procedures, § 38		
54. Compliance standard under § 38(a)	<p>Section 38(a) requires servicers to “maintain policies and procedures that are reasonably designed to achieve” a list of objectives. The CFPB explains:</p> <p>“This revision [from the proposed rule] will also allow the Bureau to protect borrowers through robust supervision and enforcement of the servicing policies, procedures, and requirements set forth in § 1024.38 without having to demonstrate a pattern or practice of violations.”</p> <p>The compliance standard is not clear.</p>	<p>We request clarification that:</p> <ul style="list-style-type: none"> • The failure to achieve an objective is not itself a violation of the regulation; • The servicer’s selection of “reasonably designed” policies and procedures does not require the most conservative or most strict possible policies and procedures, or the most advanced technology available; and • The factors affecting the reasonableness of the policies and procedures include: <ul style="list-style-type: none"> ○ The costs and resources involved in implementing, revising, and maintaining the policies and procedures; and ○ The servicer’s need, and its affiliates’ needs, to allocate resources to come into compliance with other rules, such as other Dodd-Frank rules.
55. Consumer complaints, comment 38(a)-1	<p>Comment 38(a)-1 provides that servicers must base their policies, procedures, and requirements on, among other things, the servicer’s history of consumer complaints. Not all complaints are valid or accurate, and some do not relate to servicing matters at all.</p>	<p>Servicers should not be required to base their policies, procedures, and requirements on baseless, unfounded, or irrelevant complaints.</p>

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56. Delegating corrections to service providers, comment 38(b)(1)(ii)-1	<p>Comment 38(b)(1)(ii)-1 provides:</p> <p><i>“Errors committed by service providers. A servicer’s policies and procedures must be reasonably designed to provide for promptly obtaining information from service providers to facilitate achieving the objective of correcting errors resulting from actions of service providers, including obligations arising pursuant to § 1024.35.”</i></p> <p>Servicers should have the flexibility to delegate to service providers the task of correcting a service provider’s errors. The comment appears to require the servicer to correct such errors directly, even if this is not the most effective method. It also assumes that information must come from a service provider, when notice of an error may come from, for example, the borrower. The source of the information is irrelevant.</p>	<p>The servicer, the service provider who made the error, or another service provider, should be permitted to make a correction. The source of the information used in a correction should not be relevant. We recommend amending the language as follows:</p> <p><i>“Errors committed by service providers. A servicer’s policies and procedures must be reasonably designed to provide for the servicer or a service provider to promptly obtaining information from service providers to facilitate achieving the objective of correcting errors resulting from actions of service providers, including obligations arising pursuant to § 1024.35.”</i></p>
57. Providing information “with respect to” the mortgage loan, § 38(b)(1)(iii)	<p>An objective under § 38(b)(1)(iii) is to:</p> <p><i>“Provide a borrower with accurate and timely information and documents in response to the borrower’s requests for information with respect to the borrower’s mortgage loan[.]”</i></p> <p>This includes matters that are well beyond the scope of a servicer’s role, and could reach confidential, proprietary, privileged information or attorney work product. See the comments above under Scope of requests that require responses, § 36(a) and 36(f)(1)(iii).</p>	<p>This objective should not create a “back-door discovery” avenue. We suggest that it be limited to “reasonable requests for information with respect to servicing the borrower’s mortgage loan.”</p>
58. Information to investors about “all mortgage loans they own,” § 38(b)(1)(iv)	<p>An objective under § 38(b)(iv) is to:</p> <p><i>“Provide owners or assignees of mortgage loans with accurate and current information and documents about all mortgage loans they</i></p>	<p>It should be limited to “all consumer mortgage loans they own that the servicer services.”</p>

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	<p>own[.]”</p> <p>This would include loans the investor owns that another servicer services, and would include commercial loans.</p>	
59. Transferring information in a servicing transfer, § 38(b)(4)	<p>Section 38(b)(4) provides that the servicing policies and procedures must be reasonably designed to ensure that the servicer can:</p> <p><i>“As a transferor servicer, timely transfer all information and documents in the possession or control of the servicer relating to a transferred mortgage loan to a transferee”</i></p> <p>This should not require a transferor servicer to deliver “all” information, including all copies of documents. The transferor, under § 35, will be required to respond to information requests for a year after the servicing transfer, so the transferor will need to retain sufficient information to do so. Section 38(c)(1) requires transferor servicers to retain records for a year after a transfer.</p> <p>If there is a transfer of servicing but no change in the document custodian, not all the information will need to be transferred. In this case, there should be no requirement that the transferor or custodian transfer the custodian’s files at all.</p>	<p>The transferor and transferee should be able to agree on what information is required to be transferred. This is consistent with § 38(b)(4)(ii), which seems to contemplate that the transferee will have the contractual right to receive the information it needs. If the transferor delivers all the information the agreement requires, there should be no need to transfer additional information.</p> <p>There is no reason to restrict information the transferor may retain.</p>
60. Privileged or protected information in a servicing transfer, comment 38(b)(4)(i)-2	<p>Comment 38(b)(4)(i)-2 requires:</p> <p><i>“A transferor servicer’s policies and procedures must be reasonably designed to ensure that the transfer includes . . . any analysis by a servicer with respect to potential recovery from a nonperforming mortgage loan, as appropriate.”</i></p>	<p>There should be an exception to this comment that permits transferors to decline to transfer information that is privileged or otherwise protected from disclosure under any applicable law or investor requirement.</p>

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	<p>It is possible that some of this information will be privileged or protected. Servicers do not own records related to Fannie Mae or Freddie Mac loans and may not have authority to transfer protected materials. For example, some information may be protected by the attorney-client privilege, and the privileged information is the GSE's property. The servicer should not be required to waive a GSE's privilege.</p> <p>Fannie Mae's Servicing Guide at § 401 provides:</p> <p>“All records pertaining to mortgage loans sold to Fannie Mae—including but not limited to the following—are at all times the property of Fannie Mae and any other owner of a participation interest in the mortgage loan: [lengthy list omitted.] . . . These documents and records are Fannie Mae's property regardless of their physical form or characteristics or whether they are developed or originated by the mortgage loan seller or servicer or others. The mortgage loan originator, seller, or servicer; any service bureau; or any other party providing services in connection with servicing a mortgage loan for, or delivering a mortgage loan to, Fannie Mae will have no right to possession of these documents and records except under the conditions specified by Fannie Mae. Any of these documents and records in possession of the mortgage loan originator, seller, or servicer, any service bureau, or any other party providing services in connection with selling a mortgage loan to, or servicing a mortgage loan for, Fannie Mae are retained in a custodial capacity only.”</p>	

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	<p>Freddie Mac's Servicing Guide at § 52.5 similarly provides:</p> <p>“All documents in the Mortgage file, all data related to Mortgages owned or guaranteed by Freddie Mac to which the Servicer obtains access in connection with any agreement with Freddie Mac, including, without limitation, data in the documents in the Mortgage file (collectively, Mortgage data) and all other documents and records related to the Mortgage of whatever kind or description (whether prepared or originated by the Servicer or others, or whether prepared or maintained or held by the Servicer or others acting for and on behalf of the Servicer), including all current and historical computerized data files, will be, and will remain at all times, the property of Freddie Mac. All of these records and Mortgage data in the possession of the Servicer are retained by the Servicer in a custodial capacity only. . . . Except as expressly authorized by Freddie Mac in writing, Servicers may not use or disclose, or authorize or permit third parties to use or disclose, these records or Mortgage data for any other purpose, including, without limitation, resale or licensing of Mortgage data, either alone or with other data.”</p>	
61. Informing borrowers of how to submit error assertions and information requests, § 38(b)(5)	<p>Section 38(b)(5) requires servicers to have policies and procedures reasonably designed:</p> <p>“to ensure that the servicer informs borrowers of the procedures for submitting written notices of error set forth in § 1024.35 and written information requests set forth in § 1024.36.”</p> <p>Comment 38(b)(5)-1 provides that servicers may comply:</p> <p>“by including in the periodic statement . . . a brief statement</p>	<p>These appear inconsistent. The regulation is limited to informing borrowers of how to submit error assertions and information requests. The comment appears to also require informing consumers of their rights to submit error assertions and information requests and how to learn more about their rights. It also appears to require making available a description of the applicable procedures, not just for submitting, but also for processing and responding to error assertions and information requests.</p> <p>We suggest that the CFPB rather than servicers is in a position to inform</p>

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	informing borrowers that borrowers have certain rights under Federal law related to resolving errors and requesting information about their account, and that they may learn more about their rights by contacting the servicer, and a statement directing borrowers to a Web site that provides a description of the procedures set forth in §§ 1024.35 and 1024.36. Alternatively, a servicer may also comply with § 1024.38(b)(5) by including a description of the procedures set forth in §§ 1024.35 and 1024.36 in the written notice required by § 1024.35(c) and § 1024.36(b)."	borrowers of their legal rights. We recommend that servicers be required to inform consumers of how to submit error assertions and information requests, which certainly would indicate that they can do so. We suggest that this should be sufficient.
62. Compiling servicing file in five days, § 38(c)(2)	Section 38(c)(2) requires servicers to retain certain information "in a manner that facilitates compiling such documents and data into a servicing file within five days[.]"	The five-day requirement should mean business days and not calendar days. If it is calendar day and there is a weekend or a holiday during the five days, the servicer could have as little as two days to compile the information, which is unreasonably short.
63. Report of data fields, § 38(c)(2)(iv)	<p>Section 38(c)(2)(iv) requires servicers to maintain and to be able to access:</p> <p>"To the extent applicable, a report of the data fields relating to the borrower's mortgage loan account created by the servicer's electronic systems in connection with servicing practices[.]"</p> <p>The section-by-section analysis explains that this:</p> <p>"[M]eans a report listing the relevant data fields by name, populated with any specific data relating to the borrower's mortgage loan account."</p> <p>78 Fed. Reg. 10696, 10787 (February 14, 2013).</p>	<p>CFPB staff advised orally on October 16, 2013 that:</p> <ul style="list-style-type: none"> • The data fields requirement does not create a right for a borrower to obtain a file in five days. • The data fields requirement sets a benchmark to make sure that a servicer's systems can work together and that information can be assembled quickly. • The servicing file is a subset of the entire mortgage file. This implies that a request for the entire file is not overbroad under comment 36(f)(1)(iv)-1.i. Staff advised that what is overbroad depends on the facts and circumstances. • Data fields not related to servicing an account, such as back end processing, do not need to be provided.

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64. January 10, 2014 compliance date, comment 38(c)(2)-1	<p>Comment 38(c)(2)-1 provides that the servicing file requirement does not apply retroactively:</p> <p>"A servicer complies with § 1024.38(c)(2) if it maintains information in a manner that facilitates compliance with § 1024.38(c)(2) beginning on or after January 10, 2014. A servicer is not required to comply with § 1024.38(c)(2) with respect to information created prior to January 10, 2014."</p> <p>This is certainly helpful, but does not address situations when a servicer is unable to obtain records, such as when a transferee acquires servicing from a bankrupt transferor servicer.</p>	Servicers should not be required to maintain information they are unable to obtain. If a transferor servicer fails to or is unable to transfer relevant information, the transferee should not be in violation of any law, whether the information was created before or after January 10, 2014.
Early Intervention, § 39		
65. Live contact within day 36 of delinquency, § 39(a)	<p>Section 39(a) provides:</p> <p>"A servicer shall establish or make good faith efforts to establish live contact with a delinquent borrower not later than the 36th day of the borrower's delinquency[.]"</p> <p>Comment 39(a)-1.i explains:</p> <p>"Delinquency begins on the day a payment sufficient to cover principal, interest, and, if applicable, escrow for a given billing cycle is due and unpaid, even if the borrower is afforded a period after the due date to pay before the servicer assesses a late fee."</p> <p>This does not appear to permit treating minor underpayments or temporary delinquencies differently from serious delinquencies.</p>	We request clarification that servicers do not need to treat a loan as delinquent if the delinquency is minor or temporary. As written, the regulation appears to require early intervention for a payment that was \$1 short. When servicers treat a loan as delinquent, they treat it as delinquent for all purposes, including financial reporting and securities law disclosures, and for triggering negative credit reporting. The CFPB's staff has suggested that servicers can treat a loan as delinquent for Regulation X purposes but not for other purposes. This is not operationally feasible, and would remove the benefits of a single, automated delinquency classification. We recommend that early intervention be triggered by borrower request for delinquency assistance.

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	If there is a disaster and an investor instructs a servicer of loans in the area to cease collection-related communication for a period of time, this could conflict with the regulation.	
66. Continuing delinquencies		CFPB staff advised orally on October 16, 2013 that servicers are not required to comply with early intervention requirements for delinquencies that occur before January 10, 2014, but that compliance is required for a delinquency after that date. For a continuing delinquency, there is a new delinquency for § 39 purposes for each billing cycle.
67. Date of delinquency after servicing transfer, comment § 39(a)-1.iii	<p>Comment 39(a)-1.iii provides:</p> <p>“During the 60-day period beginning on the effective date of transfer of the servicing of any mortgage loan, a borrower is not delinquent for purposes of § 1024.39 if the transferee servicer learns that the borrower has made a timely payment that has been misdirected to the transferor servicer and the transferee servicer documents its files accordingly.”</p>	<p>It is helpful that this applies only if the transferee is aware that the borrower made a timely payment to the transferor.</p> <p>A transferee should be required to treat only one misdirected payment from the same borrower as timely. There is no need to notify borrowers repeatedly of the same information. One misdirected payment may be an error, but the second one likely is not. The borrower may assume that the transferor will not cash the check, meaning mailing a check that would bounce to the transferor is a method to avoid having a delinquent payment treated as delinquent.</p> <p>The requirement that the transferee treat a payment as timely even when the servicer has not received it should never apply to any of the servicer’s duties to investors, it should only apply to the servicer’s duties with regard to the borrower. We recommend a comment making this clear.</p>
68. Promptly informing borrowers of loss mitigation options,	Servicers must attempt to make live contact within 36 days of delinquency. Comment 39(a)-3.ii provides:	<p>We recommend additional clarity.</p> <ul style="list-style-type: none"> It should be permissible to mail information on loss mitigation options within five days of establishing live contact.

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comment 39(a)-3.ii	<p>“[T]he servicer must provide [loss mitigation] information promptly after the servicer establishes live contact. A servicer need not notify a borrower about any particular loss mitigation options at this time; if appropriate, a servicer need only inform borrowers generally that loss mitigation options may be available. If appropriate, a servicer may satisfy the requirement in § 1024.39(a) to inform a borrower about loss mitigation options by providing the written [45-day delinquency] notice required by § 1024.39(b)(1), but the servicer must provide such notice promptly after the servicer establishes live contact.”</p> <p>This does not make clear when it is “appropriate” to include the information on loss mitigation options in the 45-day delinquency notice.</p>	<ul style="list-style-type: none"> If the servicer is unable to make live contact because the borrower does not respond to outreach, it should be permissible to send information on loss mitigation options within five business days of the 45-day delinquency notice.
69. Authenticating an agent before providing information on loss mitigation options, comment 39(a)-4	<p>Comment 39(a)-4 provides:</p> <p>“Section 1024.39 does not prohibit a servicer from satisfying the requirements § 1024.39 by establishing live contact with and, if applicable, providing information about loss mitigation options to a person authorized by the borrower to communicate with the servicer on the borrower’s behalf. A servicer may undertake reasonable procedures to determine if a person that claims to be an agent of a borrower has authority from the borrower to act on the borrower’s behalf, for example, by requiring a person that claims to be an agent of the borrower provide documentation from the borrower stating that the purported agent is acting on the borrower’s behalf.”</p>	<p>The time servicers spend waiting for a borrower or agent to provide information verifying the agent’s authority should not count against the servicer’s compliance with the requirement to make live contact or to send the 45-day delinquency notice.</p> <p>This recommendation is the same treatment in comments 35(a)-1 and 36(a)-1, relating to the time to respond to error assertions and information requests. Those comments permit servicers to treat the error assertion or information request as received “[u]pon receipt of such documentation” from the borrower that the agent has authority to act on the borrower’s behalf. It is also similar to Regulation Z comment 36(c)(3)-1, which permits creditors to verify the authority of an agent who requests a payoff statement before the time for delivering a payoff statement begins to run.</p>
70. One notice during 180	Section 39(b)(1) requires a written notice within 45 days of a loan	We request clarification that a written notice is not required more than

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days, § 39(b)(1)	becoming delinquent. It also provides: “A servicer is not required to provide the written notice more than once during any 180-day period.” If a servicer mails a 45-day delinquency notice on February 15, the borrower comes current on March 1, and does not make the April 1 or May 1 payments, is a new 45-day delinquency notice required?	once during any 180-day period, even if the borrower cures and redefaults one or more times during the 180 days. We request clarification that, if the loan in the example were to remain delinquent, the second notice must be mailed on or before 180 days after February 15. CFPB staff advised orally on October 16, 2013 that servicers are not required to provide notices each month in a continuing delinquency.
Continuity of Contact, § 40		
71. Authenticating an agent before assigning personnel and assisting borrower through agent, comment 40(a)-1	Comment 40(a)-1 provides: “A servicer may undertake reasonable procedures to determine if a person that claims to be an agent of a borrower has authority from the borrower to act on the borrower’s behalf, for example by requiring that a person who claims to be an agent of the borrower provide documentation from the borrower stating that the purported agent is acting on the borrower’s behalf.”	The time servicers spend waiting for a borrower or agent to provide information verifying the agent’s authority should not count against the servicer’s compliance with the requirement to begin assisting the agent. This recommendation is the same treatment in comments 35(a)-1 and 36(a)-1, relating to the time to respond to error assertions and information requests. Those comments permit servicers to treat the error assertion or information request as received “[u]pon receipt of such documentation” from the borrower that the agent has authority to act on the borrower’s behalf. It is also similar to Regulation Z comment 36(c)(3)-1, which permits creditors to verify the authority of an agent who requests a payoff statement before the time for delivering a payoff statement begins to run.
72. Two consecutive payments without a late charge, § 40(a)(2)	Section 40(a)(2) requires servicers to make contact personnel available: “[U]ntil the borrower has made, without incurring a late charge, two consecutive mortgage payments in accordance with the terms of a	We request clarification that this means that the borrower did not incur a late charge because the two consecutive payments were made on time or within any grace period, and not that the servicer is required to waive applicable late fees after a permanent modification.

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	permanent loss mitigation agreement.”	
73. Complete payment history, § 40(b)(2)(i)	Section 40(b)(2)(i) requires servicers to maintain policies and procedures reasonably designed to ensure that the personnel assigned to a delinquent borrower are able to timely retrieve a “complete record of the borrower’s payment history[.]” This presumes the complete history will always be available, but it may not be.	Servicers should not be required to retrieve information they are not able to obtain. This provision should be consistent with: <ul style="list-style-type: none"> • Section 38(c)(2)-1, which provides that the servicing file requirement does not apply retroactively. • Comment 39(a)-1.iii, which acknowledges that a transferor servicer may not be aware of a payment sent to the transferee within 60 days of a servicing transfer. • The possibility that a transferor servicer may be unable to transfer relevant information.
74. Providing error assertion information, § 40(b)(4)	Section 40(b)(4) provides: “A servicer shall maintain policies and procedures reasonably designed to ensure that servicer personnel assigned to a delinquent borrower . . . [p]rovide a delinquent borrower with information about the procedures for submitting a notice of error pursuant to § 1024.35 or an information request pursuant to § 1024.36.” It should not matter who provides the information, only that someone does.	We request clarification that this does not require a separate notice to every borrower to whom personnel are assigned, by each of those assigned persons. We recommend that the servicer be permitted to provide the information in any reasonable manner, and that providing the information in a periodic statement or with a 45-day delinquency notice is <i>per se</i> reasonable.
Loss Mitigation Procedures, § 41		
75. Submitting or receiving applications, § 41 generally	Section 41(f)(2) and (g) use the phrase “a borrower submits a complete loss mitigation application” but elsewhere the regulation uses the phrase “servicer receives” a complete loss mitigation application or something similar. See § 41(b)(1), (b)(2)(i), (c)(1), (e)(1).	We request clarification that there is no difference between the similar phrases, and that an application is not complete until the servicer actually receives everything the servicer requires the borrower (or the borrower’s agent) to submit.
76. Evaluations in the	Section 41(a) provides:	We request clarification that state attorneys’ general and federal or state

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servicer's discretion, § 41(a) and comment 41(c)(1)-1	<p>“A borrower may enforce the provisions of this section pursuant to section 6(f) of RESPA (12 U.S.C. 2605(f)). Nothing in § 1024.41 imposes a duty on a servicer to provide any borrower with any specific loss mitigation option. Nothing in § 1024.41 should be construed to create a right for a borrower to enforce the terms of any agreement between a servicer and the owner or assignee of a mortgage loan, including with respect to the evaluation for, or offer of, any loss mitigation option or to eliminate any such right that may exist pursuant to applicable law.”</p> <p>Comment 41(c)(1)-1 provides:</p> <p>“The conduct of a servicer's evaluation with respect to any loss mitigation option is in the sole discretion of a servicer. A servicer meets the requirements of § 1024.41(c)(1)(i) if the servicer makes a determination regarding the borrower's eligibility for a loss mitigation program. Consistent with § 1024.41(a), because nothing in section 1024.41 should be construed to permit a borrower to enforce the terms of any agreement between a servicer and the owner or assignee of a mortgage loan, including with respect to the evaluation for, or provision of, any loss mitigation option, § 1024.41(c)(1) does not require that an evaluation meet any standard other than the discretion of the servicer.”</p> <p>This comment is quite helpful.</p>	<p>regulators cannot enforce § 41 because they are not “a borrower” under § 41(a).</p> <p>The CFPB should state explicitly in a comment that failure to allow loss mitigation options is in no circumstance a breach of a mortgage loan contract with a borrower, a violation of Regulation X, a UDAP, or a UDAAAP.</p>
77. Incomplete application from ineligible borrower	A servicer may be able to determine from an incomplete application that the borrower is ineligible for loss mitigation options.	The servicer should be permitted to deny the incomplete application when the servicer knows that the borrower is ineligible for loss mitigation. This is consistent with HAMP Handbook Ch. II § 2.3.3.

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TOPIC	ISSUE	RECOMMENDATION
78. Third party fails to submit required application information, § 41(c)(2)(ii), § 41(h) and § 38(b)(2)(v)	<p>Section 41(c)(2)(ii) provides:</p> <p>“[I]f a servicer has exercised reasonable diligence in obtaining documents and information to complete a loss mitigation application, but a loss mitigation application remains incomplete for a significant period of time under the circumstances without further progress by a borrower to make the loss mitigation application complete, a servicer may, in its discretion, evaluate an incomplete loss mitigation application and offer a borrower a loss mitigation option.”</p> <p>Section 38(b)(2)(v) requires servicers to have policies and procedures reasonably designed to ensure that servicers can:</p> <p>“Properly evaluate a borrower who submits an application for a loss mitigation option for all loss mitigation options for which the borrower may be eligible pursuant to any requirements established by the owner or assignee of the borrower's mortgage loan and, where applicable, in accordance with the requirements of § 1024.41.”</p> <p>A servicer may receive all information required from a borrower but, due to reasons beyond a servicer's control, may not receive all information required from a third party. In this case, the servicer will not be able to evaluate the application.</p>	<p>A servicer may receive all information required from a borrower but not from a third party. In this situation, we recommend that the servicer can elect to treat the application as incomplete rather than denying it. HAMP requires servicers in this situation to contact the borrower every 30 days with an updated status until it has a complete application. HAMP Handbook Ch. II § 4.6.</p> <p>If a servicer denies an application for a modification and the borrower appeals, the servicer has only 30 days to decide the appeal. If the servicer requires third party information to determine an appeal but does not timely receive it, the servicer should be permitted to deny the appeal on that basis.</p> <p>CFPB staff advised orally on October 16, 2013 that servicers must respond within 30 days of receiving a complete application. Servicers may tell borrowers that they cannot offer a loss mitigation option without required third party information, the servicer is working to obtain the third-party information, and that the servicer may make an offer upon receipt of the information.</p>
79. Denial notices, § 41(d)	Section 41(d) clarifies what is required for modification denial notices. Comment 41(d)-4 clarifies that if an application is denied for a reason in a hierarchy, the servicer need not state whether the application would have met criteria lower in the hierarchy.	We request clarification that an option is not available if the consumer does not qualify for it regardless of the reason. For example, if a borrower does not qualify for a Fannie Mae or Freddie Mac modification because the loan is not a GSE loan, the servicer should not

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		<p>notice need not state that the borrower did not qualify for a GSE modification.</p> <p>Examples of language would be helpful because categorizing loss mitigation options is not necessarily clear. It is unclear, for example, whether HAMP Tiers 1 and 2 are separate modification options.</p> <p>We request clarification that a servicer may require the borrower to accept and comply with the approved loss mitigation option, pending appeal of a denied modification, or to reject the approved loss mitigation option. Otherwise, the terms of the offered mitigation could be materially altered by arrearages or tax or insurance payments.</p> <p>CFPB staff advised orally on October 16, 2013 that failure to offer an option is a denial. If a borrower qualifies for the first option in a waterfall, a denial notice could state that the borrower was denied for lower options because the borrower was offered a higher option.</p>
80. Appeals of offer or denial, § 41(h)	<p>Section 41(h)(1) provides that borrowers may appeal denied modifications:</p> <p>“[A] servicer shall permit a borrower to appeal the servicer’s determination to deny a borrower’s loss mitigation application for any trial or permanent loan modification program available to the borrower.”</p> <p>Section 41(h)(2) provides that borrowers have 14 days to appeal an offer:</p> <p>“A servicer shall permit a borrower to make an appeal within 14</p>	We request clarification that denials of modifications may be appealable, but offers of modifications are not appealable.

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TOPIC	ISSUE	RECOMMENDATION
	<p>days after the servicer provides the offer of a loss mitigation option to the borrower pursuant to paragraph (c)(1)(ii) of this section.”</p> <p>Section 41(d) requires denial notices to include information about any appeal available.</p>	
81. Appeals, § 41(h) and comment 41(b)(1)-2	<p>Section 41(h) permits borrowers that submitted their complete applications at least 90 days before a foreclosure sale to appeal denial of “a borrower’s loss mitigation application for any trial or permanent loan modification program available to the borrower.”</p> <p>Comment 41(b)(1)-2 provides:</p> <p>“[I]f a borrower requests that a servicer determine if the borrower is ‘prequalified’ for a loss mitigation program by evaluating the borrower against preliminary criteria to determine eligibility for a loss mitigation option, the request constitutes a loss mitigation application.”</p>	<p>We request clarification that:</p> <ul style="list-style-type: none"> • A modification is not “available” when the property or loan are not eligible, such as if the property is not owner-occupied when owner-occupancy is required for a modification. • If the prequalification application is for a modification, a denial of the prequalification is not subject to appeal. If a borrower does not prequalify for a modification because, for example, the property is not owner-occupied, that modification is not “available to the borrower” under § 41(h). • A borrower’s rejection of a modification offer is not appealable. • Acceptance of a modification offer, followed by a default on the modification, is not a denial subject to appeal.
82. Duplicative loss mitigation requests and the regulation’s effective date, § 41(i) and comment 41(i)-1	<p>Section 41(i) provides:</p> <p>“A servicer is only required to comply with the requirements of this section for a single complete loss mitigation application for a borrower’s mortgage loan account.”</p> <p>Comment 41(i)-1 provides:</p> <p>“A transferee servicer is required to comply with the requirements of § 1024.41 regardless of whether a borrower received an evaluation of a complete loss mitigation application from a transferor servicer.”</p>	<p>We support reviewing applications for which loss mitigation is a realistic possibility, but we cannot support permitting loss mitigation applications, with private rights of action, for the purpose of delaying an inevitable foreclosure.</p> <p>If servicing is transferred after the transferor found a borrower ineligible to submit a new application, the transferee should not be required to accept a new application merely because of the fact of transfer.</p> <p>CFPB staff advised orally on October 16, 2013 that:</p> <ul style="list-style-type: none"> • The new regulation does not require servicers to evaluate loss

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	For borrowers who have been evaluated before January 10, 2014 when the regulation becomes effective, this could be rather disruptive if those borrowers can be evaluated again. It could cause a spike in “new” applications, for which servicers would need to staff up temporarily, which would be operationally disruptive. Additionally, a second evaluation of a borrower who has been denied loss mitigation, or who breached a trial payment plan or a modification agreement, may violate investor requirements.	<p>mitigation applications received before January 10, 2014;</p> <ul style="list-style-type: none"> • Servicers must evaluate applications received after that date even if the same borrower had been evaluated before that date; • The 120-day ban on foreclosures applies to delinquencies that began before or after that date,

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Disclosures of Post Consummation Events, § 20		
83. Coverage, § 20(c) and (d)	Section 20(c) requires rate reset notices when a rate adjustment results in a payment change. Section 20(c)(2) states when the notices are required for ARM loans. Sections 20(c)(1)(i) and (d)(1)(i) define an ARM loan to include only closed-end loans in which the APR may increase after consummation.	We request clarification whether § 20(c) or (d) notices are required for loans on which the APR may decrease but not increase after consummation.
84. Annual statement removed, § 20(c)	The amendments to § 20(c) remove the existing requirement to send annual statements when a rate adjusts but there is no payment adjustment.	We request clarification that continuing to send such disclosures will remain permissible.
85. Definition of adjustment, § 20(c)(2)	<p>Section 20(c)(2) applies to loans:</p> <p>“[O]riginated prior to January 10, 2015 in which the loan contract requires the adjusted interest rate and payment to be calculated based on the index figure available as of a date that is less than 45 days prior to the adjustment date.”</p> <p>It also requires disclosures:</p> <p>“[F]or the first adjustment to an ARM if it occurs within 60 days of consummation and the new interest rate disclosed at consummation pursuant to § 1026.20(d) was an estimate.”</p>	We request clarification of whether the two words “adjustment” in bold refer to the rate adjustment date or the payment adjustment date.
86. Definition of last payment, § 20(c)(2)(ii) and	Sections 20(c)(2)(ii) and 20(d)(2)(iii)(C) require a disclosure relating to interest-only or negative amortization payments, including how the	We request clarification of whether the “last payment” refers to the last scheduled payment or the last actual payment.

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20(d)(2)(iii)(C)	current and new payments are allocated to principal, interest, and escrow. Both provide: “The current payment allocation disclosed shall be the payment allocation for the last payment prior to the date of the disclosure.”	
87. Step increases and trial or permanent modifications, § 20(c)(2)(iii) and (v)	<p>Comment 20(c)-2 provides that rate reset notices are not required in connection with a loan modification, but that:</p> <p>“[S]ubsequent interest rate adjustments resulting in a corresponding payment change occurring pursuant to the modified loan contract, however, are subject to the requirements of § 1026.20(c).”</p> <p>It is common for rate reductions in HAMP permanent modifications to apply for five years, after which the rate can step up by up to one percentage annually until it reaches a cap. Comment 20(c)(1)(ii)-3.iii provides that § 20(c) does not apply to fixed-rate step-rate loans. Similarly, comment 20(d)(1)(ii)-2.iii provides that § 20(d) does not apply to fixed-rate step-rate loans. Section 20(c)(2)(iii) requires a disclosure of how the rate adjustment is determined, including:</p> <p>“(A) The specific index or formula used in making interest rate adjustments and a source of information about the index or formula; and (B) The type and amount of any adjustment to the index, including any margin and an explanation that the margin is the addition of a certain number of percentage points to the index, and any application of previously foregone interest rate increases from past interest rate adjustments.”</p>	<p>CFPB staff advised orally on October 16, 2013 that;</p> <ul style="list-style-type: none"> • ARM reset notices are not required in connection with modifications or trial modifications, unless the modified loan is an ARM. • Modified loans that are fixed-rate step-rate loans are not ARM loans. • HAMP modifications do not require rate reset notices because modifications do not trigger reset notice requirements and because the modifications are fixed-rate step-rate.

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	<p>Section 20(c)(2)(v) requires a disclosure of how the new payment is determined, including:</p> <p>“(A) The index or formula used; (B) Any adjustment to the index or formula, such as the addition of a margin or the application of any previously foregone interest rate increases from past interest rate adjustments”</p>	
88. Transactions permitting interest rate carryover, §§ 20(c)(2)(iv) and 20(d)(2)(v)	<p>Sections 20(c)(2)(iv) and 20(d)(2)(v) require disclosure of:</p> <p>“Any limits on the interest rate or payment increases at each interest rate adjustment and over the life of the loan, as applicable, including the extent to which such limits result in the creditor, assignee, or servicer foregoing any increase in the interest rate and the earliest date that such foregone interest rate increases may apply to future interest rate adjustments, subject to those limits.”</p> <p>Comment 20(c)(2)(iv)-1 provides:</p> <p>“Interest rate carryover, or foregone interest rate increases, is the amount of interest rate increase foregone at any ARM interest rate adjustment that, subject to rate caps, can be added to future interest rate adjustments to increase, or to offset decreases in, the rate determined by using the index or formula. The disclosures required by § 1026.20(c)(2)(iv) regarding foregone interest rate increases apply only to transactions permitting interest rate carryover.”</p> <p>Comment 20(c)(2)(ii)(A)-1 allows servicers to round the interest rate pursuant to the ARM contract. <i>See also</i> 20(d)(2)(iii)(A)-1</p>	We request clarification that rate caps and floors and an indication that the interest rate is rounded are permitted disclosures on ARM notices even when the ARM loan does not provide for interest rate carryover.

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	Can an interest rate floor adjustment, lifetime cap, and rounding factors be included or described in the ARM disclosures? The commentary implies lifetime caps and interest rate floors are only permitted on the ARM notices for interest rate carryover loans required under § 20(c) and (d). While the commentary indicates that rounding is permissible, there is no indication that such information may be included in the notices.	
89. Payment-option ARM loans, § 20(c)(2)(vi)	Section 20(c)(2)(vi) requires disclosure of: “If applicable, a statement that the new payment will not be allocated to pay loan principal and will not reduce the loan balance. If the new payment will result in negative amortization, a statement that the new payment will not be allocated to pay loan principal and will pay only part of the loan interest, thereby adding to the balance of the loan. If the new payment will result in negative amortization as a result of the interest rate adjustment, the statement shall set forth the payment required to amortize fully the remaining balance at the new interest rate over the remainder of the loan term.”	We request clarification of whether the disclosure must include the allocation for the current and new minimum payment amounts; and whether the disclosure must include the allocation for each payment option, and if so, where. Examples of how these disclosures are to be completed would be most helpful.
90. Format, § 20(c)(3)	Section 20(c)(3) requires disclosures in a “format substantially similar to” the model forms.	We request clarification of the types of changes that servicers can make to the model forms without jeopardizing the safe harbor. For example, for loans that will continue to have a “look back” period of less than 45 days, servicers will need to modify the language regarding the advance notice that will be given prior to payment changes. This should not jeopardize the safe harbor.
91. Assumptions, § 20(d)	Section 20(d) requires initial rate adjustment between 210 – 240 days before the first payment is due at the adjusted level.	A borrower who assumes a loan assumes all its terms and disclosures. We request clarification that the fact of an assumption does not alter the adjustment notice requirements.

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92. Estimated initial rate adjustments, § 20(d)(2)	Initial rate adjustment notices may be required long before the rate adjustment is known.	Examples of how estimates are to be made would be quite helpful. Are disclosures to be based on worst-case assumptions about rate caps? If there is a cap on the first adjustment and a life-of-loan cap, must the servicer use the worst of the two?
93. Modification as an alternative to a rate adjustment, § 20(d)(2)(x)	Section 20(d)(2)(x) requires disclosure of alternatives to a rate adjustment, including: “(C) Modifying the terms of the loan with the creditor, assignee, or servicer; and (D) Arranging payment forbearance with the creditor, assignee, or servicer.”	We recommend that the servicer be permitted to qualify this language so as not to incorrectly cause the consumer to believe these options are available or likely available, for example by adding: “Not all loans qualify for modification or forbearance. You may call us if you would like to learn about these possibilities.”
Prohibited Acts, §36		
94. Partial payments, § 36(c)(1)(ii)	Section 36(c)(1)(ii) permits servicers to hold partial payment in suspense until there are sufficient funds to cover a periodic payment. This may not be consistent with an agreement a reinstated borrower makes to pay default fees over time. Servicers and borrowers should have flexibility to work out repayment of default fees. It does not accommodate trial plans, borrowers in bankruptcy whose payment amount has changed, and borrowers in foreclosure.	We request clarification of the following: <ul style="list-style-type: none"> • If a loan is in a trial plan, during which posting monthly payments is not required, posting payments should not be required. • Servicers may hold funds in suspense that are greater than a contractual payment, but are intended to pay pending legal or other default fees as agreed until the default fees are paid. • In cases of bankruptcy, the payment amount may be greater than the pre-bankruptcy payment amount. In these cases, it should be permissible to hold funds in suspense until there is enough to make the bankruptcy payment amount. • For loans in foreclosure, it should be permissible to hold funds in suspense that are greater than a periodic payment. At this point, the loan is accelerated, so there is no periodic payment. <p>CFPB staff advised orally on October 16, 2013 that a servicer that receives trial modifications payments of \$800 on a loan for which the</p>

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TOPIC	ISSUE	RECOMMENDATION
		contractual payment is \$1000 may hold an \$800 payment in suspense, and upon receipt of another \$800 payment, post \$1000 and hold \$600 in suspense.
Periodic Statements, § 41		
95. Inapplicable to HELOCs, § 41(a)(1)	Section 41(a)(1) provides that § 41 applies only to closed-end loans.	If a HELOC later becomes a closed-end loan, servicers may not have the capacity to produce all the periodic statement disclosures, including especially the transaction activity. CFPB staff advised orally on October 16, 2013 that after a HELOC converts to a closed-end loan, § 1026.41 periodic statements are required, and that the transaction activity must include all transactions that occur after the conversion, but activity before the conversion need not be included.
96. Definition of billing cycle, § 41(a)(1) and § 2(a)(4)	Section 41(a)(1) requires a periodic statement for each “billing cycle[.]” Comment 41(b)-1 provides that it may be provided “no later than” four days after the close of a courtesy period, although it may be provide earlier. Section 2(a)(4) defines billing cycle as: “[T]he interval between the days or dates of regular periodic statements. These intervals shall be equal and no longer than a quarter of a year. An interval will be considered equal if the number of days in the cycle does not vary more than four days from the regular day or date of the periodic statement.” Assume the loan payments are due the 1 st of the month and have a 15-day courtesy period. Assume a servicer sends a statement March 15.	We request clarification that it is permissible for the servicer to send statements upon the earlier of receipt of a payment or within four days of a courtesy period, as § 41(a) appears to permit. In this example, the April 6 statement will cover March 16 through April 5 (21 days). The May 17 statement will cover April 6 through May 17 (42 days). Is this permissible even though the amount of time between statements varies by more than four days, because a statement within four days after the courtesy period is the “regular day or date” of the statement?

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	Assume the borrower then makes the April payment on April 5 and the servicer sends a statement on April 6 reflecting the April 5 payment and all activity since March 16. The April 6 statement also reflects the May payment due. Assume the borrower does not make the May payment until after the courtesy period, and a statement is generated May 17.	
97. Timing of statement, comment 41(b)-1	Comment 41(b)-1 provides: “Delivering, emailing or placing the periodic statement in the mail within four days of close of the courtesy period of the previous billing cycle generally would be considered reasonably prompt.”	We request clarification of the meaning of the word “generally.” Are there circumstances when the periodic statement is required before four days after the courtesy period? We request confirmation that the four days are business days and not calendar days. Otherwise, on a three-day weekend, and especially without Saturday mail, there would not be enough time to prepare the statements.
98. Form of statements, § 41(c)	Section 41(c) provides that proper use of the model forms complies with § 41(c).	We request clarification of the types of changes that servicers can make to the model forms without jeopardizing the safe harbor. For example, can servicers provide more detail in the explanation of the amount due (§ 41(d)(2)(i)) to include the monthly amount needed to pay for optional products the borrower requested? CFPB staff advised orally on October 16, 2013 that servicers can add information to periodic statements as long as the additional information does not obscure required disclosures.
99. Explanation of amount due for delinquent borrowers, § 41(d)(2)	Assume the borrower’s monthly payment is \$1000. Assume the borrower does not make the March payment within the courtesy period and a statement generated on March 18 reflects a late fee of \$50. For the “amount due” on the top of the first page of the March 18 th statement, the amount would be \$2050 (<i>i.e.</i> the March payment and the current April payment plus the \$50 late fee). The grouping would read:	The grouping at the top of the form should not be misleading. This one-line disclosure does not accommodate past due amounts, especially when there are more than one, so they should be included only elsewhere. If there are past due amounts, they will need additional explanation.

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	<p>Account number: 12345 Payment Due Date: April 1 Amount Due: \$2050.00 If payment is received after 4/15, \$50 late fee will be charged.</p> <p>This is misleading about when payments were due, and what is necessary to avoid a late fee:</p> <ul style="list-style-type: none"> This indicates that the entire amount is due April 1. However, \$1000 of that amount was due on March 1, and \$50 was due March 16. It also indicates that a late fee will be charged if the borrower does not pay \$2050. In fact, there would be a late fee only if the borrower does not pay \$2000. <p>There is a concern that servicers could be sued under UDAP and UDAAP laws for displaying information in this misleading manner.</p> <p>The H-30(B) model form suggests that the coupon on the statement should reflect \$2050. Many servicers list the amount of PITI and late fees on their statement as the total amounts owed by the customer on the loan, but on the coupon list only the contractual amount that is due for the next month to avoid a late fee.</p>	<p>The Explanation of Amount due contains the necessary detail.</p> <p>If the CFPB will continue to require disclosure of the total amount due in addition to past due amounts in the first grouping, we make two recommendations:</p> <ul style="list-style-type: none"> Servicers should be permitted flexibility to also disclose that the amount is the total amount due at differing due dates, and that the payment required to avoid a late fee may differ from what is disclosed in this grouping. Servicers who comply with the regulation should <i>per se</i> be deemed not to have committed a UDAP or a UDAAP. <p>CFPB staff advised orally on October 16, 2013 that a statement may disclose a trial plan payment as the amount due, and explain the difference between the trial payment and the contractual payment in the explanation of amount due.</p>
100.Explanation of amount due after acceleration or maturity, § 41(d)(2)	<p>Section 41(d)(2) requires disclosure of:</p> <p>“The following items, grouped together in close proximity to each other and located on the first page of the statement:</p> <p>(i) The monthly payment amount, including a breakdown showing how much, if any, will be applied to principal, interest, and escrow</p>	<p>CFPB staff advised orally October 16, 2013 that:</p> <ul style="list-style-type: none"> Periodic statements are required for accelerated loans, with the amount due being the full balance. After a foreclosure, statements are not required because there is no longer a closed-end consumer credit transaction secured by a

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	<p>and, if a mortgage loan has multiple payment options, a breakdown of each of the payment options along with information on whether the principal balance will increase, decrease, or stay the same for each option listed;</p> <p>(ii) The total sum of any fees or charges imposed since the last statement; and</p> <p>(iii) Any payment amount past due.”</p> <p>For borrowers in bankruptcy or foreclosure, it is unclear what this disclosure must contain.</p>	<p>dwelling.</p> <ul style="list-style-type: none"> Statements are still required for charged off loans for which the lien still is in place.
101.Disclosure of fees, § 41(d)(2)(ii) and (d)(4)	<p>Section 41(d)(2)(ii) requires disclosure of:</p> <p>“The total sum of any fees or charges imposed since the last statement[.]”</p> <p>Section 41(d)(4) requires disclosure of:</p> <p>“A list of all the transaction activity that occurred since the last statement. For purposes of this paragraph (d)(4), <i>transaction activity</i> means any activity that causes a credit or debit to the amount currently due. This list must include the date of the transaction, a brief description of the transaction, and the amount of the transaction for each activity on the list.”</p> <p>Comment 41(d)(4)-1.iii provides that the disclosure should include:</p> <p>“The imposition of any fees (for example late fees)[.]”</p>	<p>We request clarification of the extent to which fees may be aggregated, as under § 41(d)(2)(ii) and perhaps comment 41(d)(4)-1.iii, or must be itemized, as under § 41(d)(4).</p> <p>We request clarification that identifying the fee as property preservation is sufficient, and that multiple similar charges may be aggregated. Some fees may need to be entered manually, so flexibility is helpful.</p> <p>We request clarification that the fees charged since the last statement does not include fees for services rendered but for which the amount is not yet known and for which the account has not yet been charged.</p> <p>We request confirmation that amounts included in the regular monthly payment, <i>e.g.</i>, private mortgage insurance that is part of the escrow payment, and optional product payments, need not be separately disclosed as fees or charges on the Transaction Activity required under § 41(d)(4).</p> <p>We request clarification that multiple payments can be combined in</p>

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TOPIC	ISSUE	RECOMMENDATION
		showing the amount of a single activity. For example, if the monthly contractual payment is \$1000 (\$700 interest, \$100 principal, and \$200 escrow) and the borrower paid \$1000 each on March 5 and 10, the next statement could show principal of \$200, interest of \$1400, and escrow of \$400 in the Past Payments Breakdown. In the Transaction Activity section, the same statement would show “3/5/13 Payment Received - Thank You \$1000” and “3/10/13 Payment Received – Thank You \$1000” so that each payment would not need to be broken down separately.
102. What must be done to apply suspended funds, § 41(d)(5)	<p>Section 41(d)(5) provides that periodic statements disclosures include:</p> <p>“If a statement reflects a partial payment that was placed in a suspense or unapplied funds account, information explaining what must be done for the funds to be applied.”</p> <p>This plainly requires disclosure of what the borrower must do to have the funds applied to a full payment.</p> <p>Section 51.18 of the Freddie Mac guide permits applying a payment that is within \$50 of the contractual amount, even if it is less than a full payment, by reducing the amount applied to the escrow balance.</p>	<p>We request clarification that a narrative statement (e.g. “when a contractual payment is received”) or a total dollar amount can be used rather than requiring an actual itemization of how the funds would be applied to principal, interest, and escrow.</p> <p>We request confirmation that if a servicer applies a partial payment that is within \$50 of the contractual payment, the servicer may show the shortage amount as part of the amount due, and may show the actual application in the past payment breakdown and transaction activity.</p>
103. Definition of page, § 41(d)(5), (d)(8)	<p>Section 41(d)(5) provides:</p> <p>“The information must be on the front page of the statement or, alternatively, may be included on a separate page enclosed with the periodic statement or in a separate letter.”</p> <p>Section (d)(8) has similar language.</p>	<p>We recommend that the reverse side of a piece of paper be deemed a “separate page” for these purposes.</p> <p>We request clarification of the definition of “page” and “first page” in electronic statements. It would be preferable not to define the term and to instead permit the servicer to include all information in any reasonable location, consistent with the clear and conspicuous</p>

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TOPIC	ISSUE	RECOMMENDATION
		requirements of § 1026.17(a)(1).
104. Delinquency information on a separate page, § 41(d)(8)	Section 41(d)(8) provides that delinquency information may be provided “on a separate page enclosed with the periodic statement or in a separate letter[.]”	<p>We request clarification that such disclosures in a separate letter may be sent before the periodic statement is sent.</p> <p>For example, assume a borrower sends a partial payment on the 5th of the month but the servicer sends periodic statements after the courtesy period. Could this servicer send the partial payment disclosure promptly after receiving the partial payment? As this notice acknowledges receipt of the partial payment and informs the borrower what is necessary for the funds to be applied, this notice may prevent a default, and should be permissible before delivering the periodic statement.</p>
105. Definition of delinquency, § 41(d)(8)	We suggest above, under Regulation X, Exceptions to the definition of loss mitigation option, § 31, some workout arrangements that are technically defaults, but for which the servicer agrees not to pursue its normal collection activities, in exchange for a borrower’s agreement to make payments as agreed with the servicer.	These should be exceptions to the definition of delinquency under § 41(d)(8). The requirements for disclosing delinquency information in a periodic statement should be inapplicable, as discussed above.
106. Date of delinquency, § 41(d)(8)(i)	Section 42(d)(8)(i) provides that periodic statements disclosures include the date the consumer became delinquent.	We request clarification of whether this includes or ignores any grace period. If a payment is due on the 1st and there is no late fee until the 16th, what is the date of delinquency?
107. Notification of possible delinquency expenses, § 41(d)(8)(ii)	<p>Section 41(d)(8)(ii) requires delinquency information to include:</p> <p>“A notification of possible risks, such as foreclosure, and expenses, that may be incurred if the delinquency is not cured[.]”</p>	We request clarification that this requires a general mention of possible expenses rather than a breakdown of individual potential expenses.
108. Amount needed to bring the loan current, § 41(d)(8)(vi)	<p>Section 41(d)(8)(vi) requires disclosure of:</p> <p>“The total payment amount needed to bring the account current[.]”</p>	We request clarification of whether the “amount needed to bring the account current” is the amount of the next scheduled payment, whether it includes any unpaid late fees for prior late payments, and whether it is

SERVICING – REGULATION Z

TOPIC	ISSUE	RECOMMENDATION
	This is not a defined term.	synonymous with all amounts due on the loan.
109.Periodic statement exemptions, § 41(e)	<p>Periodic statements are not required for reverse loans, timeshare plans, and when coupon books are permitted. However, they are required while a loan is in a trial payment plan, and after it is accelerated or has matured. The model forms simply are not designed for these situations.</p> <p>The required information includes the monthly payment amount, under § 41(d)(2)(i).</p> <ul style="list-style-type: none"> What is the monthly payment amount during a trial payment period? Disclosing the monthly payment after acceleration could strongly imply that the loan has not been accelerated. There is no monthly periodic payment after acceleration or maturity. Telling borrowers otherwise would be a serious disservice. <p>The required information includes all activity since the last statement, under §41(d)(4). For a defaulted loan, this could amount to reinstatement amounts provided on a monthly basis. The benefits of such a disclosure are outweighed by the costs of producing them.</p> <p>The rule does not address the point in the foreclosure process after which periodic statements are no longer required.</p>	<p>There should be no requirement for periodic statements after a loan is accelerated or has matured because the model form does not accommodate these circumstances.</p> <p>The CFPB should not require periodic statements after a loan is referred to foreclosure. Servicing personnel assigned to a borrower are required to provide all information a borrower requests, so additional disclosures, especially disclosures that could be misleading, should not be required. If the CFPB will require periodic statements after a borrower is referred to foreclosure, we recommend model language and examples.</p> <p>We recommend model language and examples of completed model forms for loans in a trial payment plan.</p> <p>At a minimum, the CFPB should make clear that providing a required periodic statement during a trial payment plan or after acceleration is under no circumstances a UDAP or UDAAP.</p>
110.Coupon books for daily simple interest loans with a fixed rate, § 41(e)(3)	Coupon books, rather than periodic statements, are permissible for fixed-rate loans if a servicer provides certain information.	We request clarification of whether coupon books are permissible for daily simple interest loans that have a fixed rate.
111.Updated coupon books for ARM loans § 41(e)(3)		We request clarification of whether coupon books are permissible for ARM loans if the servicer updates the coupon book with each payment

SERVICING – REGULATION Z

TOPIC	ISSUE	RECOMMENDATION
		change, and includes the information specified in § 41(e)(3).
112.Fixed-rate, non-escrowed loans paid by ACH, § 41(e)(3)		We request clarification of whether a servicer may send neither a coupon book nor periodic statements to borrowers who have a fixed-rate, non-escrowed loan that is not 45 days delinquent, and who pay by ACH. These borrowers have agreed to pay by ACH, and the payments do not adjust, so there appears no reason to send periodic statements or coupon books.

**APPROVED INFORMATIONAL STATEMENTS FROM PEARSON V. BANK OF
AMERICA**

1 of 6

Bank of America



Home Loans

Customer Service
PO Box 5170
Sunny Valley, CA 93063-5170

Statement date 07/05/2011

Account Number 098084178

Property address
3183 Meander Run Rd.0001031 01 AT 0.362 **AUTO T5 3 3152 20186-8425
MSO XW AG 054-0-2-0000060 IN 1 P01032

CHRISTINE F PEARSON

10009 Lees Mill Rd
Warrenton VA 20186-8425

FOR INFORMATION PURPOSES

FOR CUSTOMER SERVICE: 1.866.653.6183

IMPORTANT NOTICE

The Details of this Special Notice: We appreciate the opportunity to service your loan, value our relationship with you and are always looking for ways to increase customer satisfaction. The purpose of this notice is to clarify for you why we are providing this special notice and to let you know that it will appear in all future monthly statements you receive. If you don't want us to send you monthly statements in the future, please call us at 1.866.653.6183.

The Impact of the Bankruptcy: Our records indicate that in the past you received a discharge of this debt in a bankruptcy case. Section 524 of the Bankruptcy Code tells us the discharge of this debt means you have no personal obligation to repay it. The discharge also protects you from any efforts by anyone to collect this discharged debt as a personal liability of the debtor. You cannot be pressured to repay this debt. On the other hand, the security agreement allows foreclosure if the requirements under the loan documents are not met. We also need to tell you that this communication is from a debt collector. This quick summary is not intended as legal advice. You should consult with your own advisors if you have legal questions about your rights.

Payment Details: We received a number of calls from homeowners disturbed that they were receiving this message, as their bankruptcy occurred some time ago. Others called asking for detailed information about the home loan. Therefore, we are providing detailed loan information as a courtesy to you. This is not an attempt to collect a debt that has been discharged. This is not a demand for payment. The coupon below and the envelope are provided as a courtesy to you.

The loan documents provide that if we do not receive the next scheduled home loan payment by 08/16/2011, the loan may be assessed a late charge of \$41.51.

If you would like to receive more information, including options such as how to pay electronically and stop receiving paper monthly statements, please contact us at 1.866.653.6183. Thank you for your business and we look forward to serving you in the coming years.

HOME LOAN
SUMMARY

Home loan overview as of 07/05/2011

Principal Balance	\$127,501.66
Escrow balance	-\$1,087.64

07/05/2011 Payment information

Home loan payment due 08/01/2011	\$948.71
Outstanding payments	13,281.94

(see next page for account details)

Calls may be monitored or recorded to ensure quality service. We may charge you a fee (of up to \$40.00) for any payment returned or rejected by your financial institution, subject to applicable law.

PAYMENT INSTRUCTIONS

- Please
 - don't send cash
 - don't staple the check to the payment coupon
 - don't include correspondence
 - include coupon with payment
- Write the account number on the check or money order.
- Make the check payable to
Bank of America, N.A.
Attn: Remittance Processing
PO Box 15222
Wilmington, DE 19886-5222

Account number 098084178 (7)
Christine F Pearson
3183 Meander Run Rd.
Culpeper, VA 22701

SEE OTHER SIDE FOR IMPORTANT INFORMATION

Bank of America, N.A.
PO BOX 15222
WILMINGTON, DE 19886-5222



098084178700000094871000099022

⑆586990058⑆098084178⑈

08/01/2011

\$948.71

Please update e-mail information on the reverse side of this coupon.

Additional
PrincipalAdditional
Escrow

Check total

Exhibit A

2 of 6

FOR INFORMATION PURPOSES**HOME LOAN
DETAILS****Monthly payment breakdown as of 07/05/2011**

Principal and/or interest payment	\$830.20
Escrow payment amount	118.51
Fees due	311.00
Total monthly home loan payment	\$948.71

Loan type and term

Loan type	30 Yr Conventional
Contractual remaining term	25 Years, 1 Month
Interest rate	6.125%

Escrow account expenses

We are responsible for the payment of the following escrow items with the exception of the items marked with an asterisk (*).

The payment of the items marked with an asterisk (*) is the responsibility of the homeowner.

Description	Payee	Policy number/Tax ID	Frequency	Next due date	Amount due
Homeowners insurance	Lender Placed Insurance	HOS00250371445	Annual	05/31/2011	580.00
County taxes	Madison County Tax Collector	42A 25	Semi-Annual	11/01/2011	435.50



When you receive your tax bill, please write your account number on your original bill and mail it immediately to Bank of America, N.A. to prevent interest and penalty charges from accruing. Please send your original bill to Bank of America, N.A., Attn: Tax Dept CA6-913-LB-01, PO Box 10211, Van Nuys, CA 91410-0211. Bank of America, N.A. will receive your tax information from another source. Supplemental tax bills will remain your responsibility; you must pay them directly to the Tax Authority.

**TO
CONTACT
US**

For up-to-the-minute information about the account, use our 24-hour automated information system. To ask us about this statement or account information, call 1.866.653.8183, Mon - Fri, 8am to 9pm Eastern Time. Calls may be monitored and/or recorded for service quality purposes. *Se habla español.* 1.800.295.0025. TDD 1.800.300.6407

Please have the account number available when you call.

Or write to us at:

The address for general inquiries and all RESPA Qualified Written Requests is:
Bank of America, N.A., Attn:

Customer Service CA6-919-01-41, PO Box 5170, Simi Valley, CA 93062-5170

Tax Dept CA6-913-LB-01, PO Box 10211, Van Nuys, CA 91410-0211

Insurance Dept, PO Box 961291, Fort Worth, TX 76101-0291

Payments, Attn: Remittance Processing PO Box 15222, Wilmington, DE 19806-5222

*Overnight deliveries Retail Payment Services, DE5-023-03-01, Christiana III, 900

Samoset Drive, Newark, DE 19713-6002

Our website www.bankofamerica.com

Your account information is available in Spanish on the site mentioned above.

*The facility at this address does not accept walk-up payments, it accepts overnight mail only. Payments can be made by Phone, Online, Mail, or at Bank of America Banking Centers.



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Account Number 098084178

E-mail use: Providing your e-mail address(es) below will allow us to send you information on your account

Christine F Pearson

E-mail address

E-mail address

How we post your payment: All accepted payments of principal and interest will be applied to the longest outstanding installment due, unless otherwise expressly prohibited or limited by law. If you submit an amount in addition to your scheduled monthly amount, we will apply your payments as follows: (i) to outstanding monthly payments of principal and interest, (ii) escrow deficiencies, (iii) late charges and other amounts you owe in connection with your loan and (iv) to reduce the outstanding principal balance of your loan. Please specify if you want an additional amount applied to future payments, rather than principal reduction. Postdated checks will be processed on the date received unless a loan counselor agrees to honor the date written on the check as a condition of a repayment plan. Payments by phone received by 6:00 PM Pacific Time on a business day will be effective the same day. Payments by phone received after 6:00 PM Pacific Time or on a nonbusiness day/holiday will be applied to your account no later than the next business day.

For all full month payment periods, interest is calculated on a monthly basis. Accordingly, interest for all full months, including February, is calculated as 30/360 of annual interest, irrespective of the actual number of days in the month. For partial months, interest is calculated daily on the basis of a 365 day year.

0001031 0002301

04CY740210

1 of 2

Bank of America



Home Loans

Customer Service
PO Box 5170
Sirol Valley, CA 93062-5170

Post-Petition Billing Cycle/
Statement Period
07/01/2011 - 07/31/2011

Account Number 135474868

Property address
3163 Meander Run Rd



0006854 01 AT 0.36Z **AUTO** 20050120186-842509 -C01-006854(1)
H FB AG ..S..Z... BUO 01001
CHRISTINE PEARSON
10009 Lees Mill Rd
Warrenton, VA 20186-8425



FOR INFORMATIONAL PURPOSES

IMPORTANT NOTICE

If you do not want us to send you monthly statements in the future, please contact us at 1.800.669.5224.

This statement is being furnished to you for informational purposes only. It should not be construed as an attempt to collect a debt against you personally. Our records reflect that you are presently a debtor in an active bankruptcy case or you previously received a discharge in bankruptcy. Although your legal obligation to repay the loan was discharged or may be discharged in the future, we retain our security interest in the property securing the loan, as well as the right to proceed against the property (such as by foreclosure) in the event of a default under the loan documents.

This is not a statement of the amount necessary to pay off or to reinstate the loan. To receive information about options for this loan, please contact us at 1.800.669.5224.

ACCOUNT SUMMARY	Loan Summary		Payment Details(s)	
	Credit limit	\$30,000.00	Periodic FINANCE CHARGE	\$84.48
	Average daily balance	\$30,604.13	Minimum payment due: 08/25/2011	\$1,233.19
	Corresponding ANNUAL PERCENTAGE RATE	3.2500%	(see next page for transaction details)	
	Daily periodic rate	0.008990%		
	Historical ANNUAL PERCENTAGE RATE	3.2560%		
	Days(s) in Cycle	31		
	FINANCE(s) CHARGE	\$84.48		

(2) Under the terms of your loan documents and federal law, a loan servicer may prohibit additional extensions of credit or reduce the credit limit.

HOW TO MAKE A PAYMENT

1. Please

- don't send cash
 - don't staple your check to the payment coupon
 - don't include correspondence
 - include coupon with payment
2. Write your account number on your check or money order.
 3. Make your check payable to **Bank of America, N.A.**
PO Box 15227
Wilmington, DE 19886-5227

Account number 135474868 (1)
Christine Pearson
3183 Meander Run Rd

SEE OTHER SIDE FOR IMPORTANT INFORMATION

9051

Bank of America, N.A.
PO BOX 15227
WILMINGTON, DE 19886-5227



1354748681000001233190000000000

⑈586990058⑈135474868⑈

8051-01-00-8005854-0001-0006967

HOME EQUITY LOAN	
Payment⁽¹⁾ Due Date Aug 25, 2011	\$1,233.19

Additional
Principal

N/A

Check Total

Exhibit B

2 of 2

TRANSACTION DETAILS

Post date	Transaction date	Description	Loan advances/debits	Payments/credit	Balance
07/01/2011	07/01/2011	PREVIOUS BALANCE			\$31,748.75
07/05/2011	07/05/2011	LATE CHARGE FOR 06/2011 PMT	\$4.09		\$31,752.84
07/31/2011	07/31/2011	PERIODIC* FINANCE CHARGE*	\$84.48		\$31,837.32
		**New balance as of 07/31/2011			\$31,837.32

**Note: The amount needed to pay off your loan may be different than the New Balance due to daily accrual of finance charges and the posting of transactions after the statement closing date (the last day in the statement period). For payoff information, please call Customer Service at 1.800.669.5864.

**CREDIT DISCLOSURE
STATEMENT****Finance Charges**

We figure the finance charge on your account by applying the periodic rate to the "average daily balance" of your account (including current transactions). To get the "average daily balance" we take the beginning balance of your account each day, add any new purchases/advances/fees, and subtract any payments or credits. This gives us the daily balance. Then, we add up all the daily balances for the billing cycle and divide the total by the number of days in the billing cycle. This gives us the "average daily balance."

Variable Rate

Your account has a variable rate and the periodic rate may change.

Billing Rights Summary**In Case of Errors or Questions About Your Bill.**

If you think your bill is wrong, or if you need more information about a transaction on your bill, write us on a separate sheet at the address shown on your bill as soon as possible. We must hear from you no later than 60 days after we sent you the first bill on which the error or problem appeared.

You can telephone us, but doing so will not preserve your rights.

In your letter, give us the following information:

- Your name and account number.
- The dollar amount of the suspected error.
- Describe the error and explain, if you can, why you believe there is an error. If you need more information, describe the item you are unsure about.

You do not have to pay any amount in question while we are investigating, but you are still obligated to pay the parts of your bill that are not in question. While we investigate your question, we cannot report you as delinquent or take any action to collect the amount in question.

**TO
CONTACT
US**

For up-to-the-minute information about your account, or to reorder checks, please call 1.866.653.6185, Monday-Friday 7a.m. - 7p.m. Local Time. *Se habla español.*
TDD 1.866.345.1260

Please have your account number available when you call.

Calls may be monitored or recorded to ensure quality service.
We may charge you a fee (up to \$40.00) for any payment returned or rejected by your financial institution, subject to applicable law.

Send notice of billing error or address correction to:

Customer Service CA6-819-01-41, PO Box 5170, Simi Valley, CA 93062-5170

Send your payments to: PO Box 15227, Wilmington, DE 19886-5227

***Overnight deliveries:** Retail Payment Services, DE5-023-03-01, Christiana III, 900 Samoset Drive, Newark, DE 19713-6002

Our website www.bankofamerica.com

*The facility at this address does not accept walk-up payments, it accepts overnight mail only. Payments can be made by Phone, Online, Mail, or at Bank of America Banking Centers.



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Account Number 135474868

E-mail use: Providing your e-mail address(es) below will allow us to send you information on your account

Christine Pearson

E-mail address

E-mail address

Avoid late payments. Make your payment on or before the due date specified in your loan documents. If you don't have a payment coupon, write your account number on your check or money order and submit it promptly to ensure we receive your payment before a late charge becomes due. The payment address is located under To Contact Us.

Additional amounts. Even if you instruct us to apply additional amounts as "Additional Principal" we will apply any additional amounts received to any late charges and/or outstanding fees prior to reducing the unpaid principal balance.

Payment. We will credit your account the same day we receive your payment if received on a banking day (not including Saturday) by 5 p.m. in the time zone where the payment is to be mailed and addressed as shown in the payment coupon.

Postdated checks will be processed on the date received unless a loan counselor agrees to honor the date written on the check as a condition of a repayment plan.

8051-01-00-0006854-0001-0006967

**APPROVED INFORMATIONAL STATEMENT FROM SCHATZ V. CHASE HOME
FINANCE**

2010-11-16 20:17

MC TRAVEL SERVICE 2676049192 >> Fax

P 1/1



Customer Care Phone: 1-888-332-3412
 Please send payments only to:
 PHOENIX, AZ 85062-8420
 Hearing Impaired (TDD): 1-800-562-0542



6677 M01 2 01210 0 - ONE
 TRACY L SCHATZ
 DAVID C SCHATZ JR
 9 ALLENWOOD CIR
 SCHUYLKILL HAVEN PA 17972-9626

MORTGAGE LOAN STATEMENT

Loan Number: 1780885557
 Statement Date: 07/31/10
 Property Address: 9 Allenwood Cir
 Schuylkill Haven, PA 17972

Loan Information:
 Balances:
 Principal Balance \$238,467.26
 Payment Factors:
 Interest Rate 8.57500%
 Principal & Interest \$1,602.91
 Escrow Payment \$1,002.66
 Optional Products \$0.00
 Total Payment \$2,605.59
 Year-to-Date:
 Interest \$6,651.73
 Taxes \$1,221.86
 Principal \$1,162.82



EXHIBIT D

To the extent your original obligation was discharged, or is subject to an automatic stay of bankruptcy under Title 11 of the United States Code, this statement is for compliance and/or informational purposes only and does not constitute an attempt to collect a debt or to impose personal liability for such obligation. If your Plan requires you to make post-petition mortgage payments directly to the Trustee, any such payments should be remitted to the Trustee directly in accordance with the orders of the Bankruptcy Court.

Activity Since Your Last Statement							
TRANSACTION DESCRIPTION	TRANSACTION DATE	TOTAL RECEIVED	PRINCIPAL	INTEREST	ESCROW	OPTIONAL PRODUCTS	MISCELLANEOUS OR FEES
MORTGAGE INSURANCE	06/08/10				\$522.57		
MORTGAGE INSURANCE	06/18/10				\$522.57		
CORP ADV PAID	07/15/10						\$625.00
SUSPENSE FUNDS	07/15/10						(\$625.00)
CORP ADV PAID	07/15/10						\$13.60
SUSPENSE FUNDS	07/15/10						(\$13.60)
PAYMENT	07/16/10		\$229.91	\$1,372.00	\$1,002.66		
SUSPENSE FUNDS	07/16/10						(\$6,211.16)
PAYMENT	07/16/10		\$261.23	\$1,371.68	\$1,002.66		
REST CORP ADV-REPAY	07/16/10						(\$13.66)
REST CORP ADV-REPAY	07/16/10						(\$625.00)
MORTGAGE INSURANCE	07/21/10				\$522.57		
PAYMENT	07/29/10		\$232.56	\$1,370.35	\$1,002.66		
SUSPENSE FUNDS	07/29/10						(\$2,605.59)
ATTY ADV REPAYMENT	07/29/10						\$225.00
PAYMENT	07/29/10		\$233.89	\$1,369.02	\$1,002.66		
SUSPENSE FUNDS	07/29/10						(\$2,605.59)
ATTY ADV REPAYMENT	07/29/10						\$400.84
PAYMENT	07/30/10		\$235.23	\$1,367.66	\$1,002.66		
SUSPENSE FUNDS	07/30/10						(\$2,605.59)

0000002 CHFS008 100731 Page 1 of 3 86/27

Please detach and return the bottom portion of this statement with your payment using the enclosed envelope.

Please designate how you want to apply any additional funds. When sent with this coupon, undesignated funds first pay outstanding late charges and fees, then principal, provided your loan is current. Undesignated funds sent without this coupon may be placed in suspense rather than applied to our loan as principal until Chase determines how you want to apply those funds. Once paid, additional funds cannot be refunded.

☐ Check box if address change is documented on the back.

CHASE HOME FINANCE
 PO BOX 78420
 PHOENIX AZ 85062-8420

Loan Number 1780885557

TRACY L SCHATZ
 DAVID C SCHATZ JR

Total Payment \$2,605.59

Late Charges \$

Additional Principal \$

Additional Escrow \$

Total Check Amount \$

Check box for making multiple full payments. ☐

00017608855572 333000 00260559 00268574 00260559 00001



**COPY OF CFPB H-30(B) SAMPLE FORM OF PERIODIC STATEMENT WITH
DELINQUENCY BOX**

Springside Mortgage

Customer Service: 1-800-555-1234
www.springsidemortgage.com

Jordan and Dana Smith
 4700 Jones Drive
 Memphis, TN 38109

Mortgage Statement

Statement Date: 3/20/2012

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

Account Information	
Outstanding Principal	\$264,776.43
Interest Rate (Until October 2012)	4.75%
Prepayment Penalty	Yes

Explanation of Amount Due	
Principal	\$386.46
Interest	\$1,048.07
Escrow (Taxes and Insurance)	\$235.18
Regular Monthly Payment	\$1,669.71
Total Fees and Charges	\$410.00
Overdue Payment	\$2,259.42
Total Amount Due	\$4,339.13

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 (Taxes and Insurance)	\$0.00	\$235.18
Fees	\$0.00	\$410.00
Partial Payment (Unapplied)*	\$1,000.00	\$1,490.00
Total	\$1,000.00	\$3,569.71

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.

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
<ul style="list-style-type: none"> • 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.
If You Are Experiencing Financial Difficulty: See back for information about mortgage counseling or assistance.

Springside Mortgage

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

Amount Due	
Due By 4/1/2012:	\$4,339.13
<i>\$160 late fee will be charged after 4/15/12</i>	
Additional Principal	\$ -
Additional Escrow	\$ -
Total Amount Enclosed	\$ -

Make check payable to Springside Mortgage.

1234567 34571892

342359127 DN

**SAMPLE INFORMATIONAL STATEMENT FOR POST-DISCHARGE CHAPTER 7
CONSUMERS**

LAW OFFICE OF SYNDE B. KEYWELL
skeywell@keywell-law.com

ABX

Servicer Name.
P.O. Box 1231
City, State, Zip Code

John Adams &
Abigail Adams
135 Adams ST
Quincy, MA 02169

INFORMATIONAL MORTGAGE STATEMENT

Informational Statement Date: 03/15/2013

Account Number	12345678
Payment Date	04/01/2013
This Month's Payment	\$1,776.00

Contact Us

Bankruptcy Department: 1-866-824-0824

Account Information	
Outstanding Principal Balance ¹ (See reverse)	\$103,035.00
Interest Rate ² (Unit <<December 2014>>)	6.23%
Prepayment Penalty	No
Property Address	135 Adams ST Quincy, MA 02169

Explanation of Payment Amount	
Principal	\$386.46
Interest ³ (See reverse)	\$1,048.07
Escrow (<<Taxes and Insurance>>)	\$235.18
Regular Monthly Payment	\$1,669.71
Total Fees and Charges	\$106.29
This Month's Payment	\$1,776.00
Outstanding Past Payment(s)	\$10,000.00
Total Unpaid	\$11,776.00

Transaction Activity Since Last Statement

Date	Description	Debit(s)	Credit(s)
03/13/2013	Payment Received		\$1,669.71

Past Payments Breakdown

Description	Paid Last Month	Paid Year to Date
Principal	\$386.46	\$1,150.25
Interest	\$1,048.07	\$3,153.34
Escrow (<<Taxes and Insurance>>)	\$235.18	\$705.54
Fees and Charges	\$0.00	\$0.00
Partial Payment (Unapplied)	\$0.00	\$0.00
Total	\$1669.71	\$5,009.13

Important Messages

To the extent your original obligation was discharged, or is subject to an automatic stay of bankruptcy under Title 11 of the United State Code, this statement is for compliance and /or informational purposes only and does not constitute an attempt to collect a debt or to impose personal liability for such obligation. However, we retain rights under the mortgage/deed of trust ("Lien"), including the right to foreclose this Lien against the property listed above.

Partial Payment (Unapplied): Any partial payments that you make are not applied to your mortgage, but instead are held in a separate suspense account. Except as noted below, if you pay the balance of a partial payment, the funds will then be applied to your mortgage. If, under the terms of a modification of your mortgage, you are required to make a lump sum or irregular payment, the Partial Payment balance will be applied to your mortgage when the total amount of such payment(s) is received. If your mortgage is in foreclosure status, contact Customer Service at the number on your billing statement with questions about the Partial Payment balance.

Payment Coupon

Make checks payable to: <<Variable_Branding>>
Always write your account number on your check.

Account Number: 12345678
Payment Date: 04/01/2013
Payment Amount: \$1,776.00

Enclose this coupon with your payment.

Please check here for change of address & complete other side

John Adams
Abigail Adams
135 Adams ST
Quincy, MA 02169
|||||

Amount Enclosed: \$.

<<Variable_Branding>>
P.O. Box xxxxx
City, State, Zip Code

|||||

088 12345678 0188000 0177600

Important Information Regarding This Account

	By Phone	By Mail
<p>We acknowledge that you are either protected by the automatic stay or that you received a discharge of your personal obligation to pay this debt pursuant to the Bankruptcy Code. The Bankruptcy Code tells us the discharge of this debt means you have no personal obligation to pay it. The automatic stay and the discharge also protect you from any efforts by anyone to collect this debt. After your bankruptcy case is closed, or if an order is entered by the Bankruptcy Court modifying the automatic stay, the mortgage/deed of trust ("Lien") allows foreclosure, if the requirements under the loan documents are not met.</p> <p>This Informational Statement is being sent as a courtesy to provide information only. This is not a demand for payment and does not constitute an attempt to collect a debt or to impose personal liability for any discharged obligation. The coupon below and envelope are provided as a courtesy to you. The Bankruptcy Code allows us to accept payments from a customer who has received a discharge, if the payments are made voluntarily.</p> <p>You should consult your legal advisor if you have legal questions regarding your rights.</p>	<p>For questions about this account, please call 1-Tel. No. to speak with a Bankruptcy Specialist. The hours of operation for the Bankruptcy Department are: Monday – Thursday: 8:00 am to 7:00 pm EST. Friday: 8:00 am to 4:00 pm EST</p> <p>This is not a statement of the amount necessary to pay off or reinstate the loan. To receive information about options for this loan, please contact us at 1-Tel. No.</p> <p>If you do not want us to send monthly informational statements in the future, please contact us at 1- Tel. No.</p>	<p>Payments can be made at the address below: Please allow 7-10 days for mailing and processing.</p> <p><<variable_branding>> P.O. Box xxxxx City, State, Zip Code</p> <p>Checks can be made payable to : <<variable_branding>></p> <p>Overnight payments can be sent to: Addressee Street Address. City, State, Zip Code</p>

By sending us a check for payment on this account, you authorize us either to use information from your check to initiate an electronic fund transfer from your account according to the terms of the check or to process this transaction as a check. When we use your check to make an electronic fund transfer, funds may be withdrawn from your account the same day we receive your payment, and you will not receive your check back from your bank. If you do not want your checks to be converted to an electronic fund transfer, please mail your request to: Service Center, ATTN: Addressee and Address

If you submit funds that are in excess of This Month's Payment, we will apply the excess funds pursuant to the terms of the mortgage/deed of trust ("Lien").

Payments sent by first-class mail and received by us at the payment address shown on the payment coupon by 5:00 p.m. Eastern Standard Time Monday through Friday (excluding bank holidays) will be credited as of the date of receipt. Payments must be made by check or money order payable in U.S. dollars and drawn on a U.S. institution. Any payment of \$10,000 or greater must be made via certified funds or money order. Do not send cash or currency. There may be a delay in posting payments that are not sent by first-class mail, not made as described above, not received at the payment address shown on the payment coupon, not returned with payment coupon, sent by certified or overnight mail and received at the payment coupon address, or less than the minimum payment due.

- 1) The Outstanding Principal Balance is not a payoff amount. To receive information on paying off the loan, please call us at 1-Tel. No.
- 2) Late Charges may be included in the Outstanding Fees and Charges balance reflected in the Account Information section of this Billing Statement.
- 3) Please note that this loan includes a Rate Reduction Plan, as described in the loan documents. This plan offers rate reductions and/or payment reductions to eligible customers for making on-time payments. Therefore, the interest rate may decrease if we receive the required number of consecutive on-time payments. For more information, please contact the Bankruptcy Department telephone number on this statement.

*This is a Daily Simple Interest (DSI) loan in which the amount of principal and interest paid each month may vary. The amount of interest due upon receipt of payment is based on the outstanding principal balance and the number of days between each payment. For further explanation of interest calculations, please contact the Bankruptcy Department phone number on this statement.

CREDIT INSURANCE BENEFITS: Credit Insurance may only provide coverage for a portion of the monthly payment, and may not include real estate taxes, homeowner's insurance, lender advanced insurance and/or taxes or the payment of any optional products or fees.

Hardship Relief Programs

Depending upon your current financial situation and the status of the Lien, we may be able to reduce the applicable interest rate and monthly payment amount of this obligation. If you are interested in applying for hardship relief, please contact us during normal business hours at 1-Tel. No. for additional information. For free or low cost HUD sponsored housing advice, call HUD at 1-800-569-4287 or visit <http://www.consumerfinance.gov/mortgagehelp/> to get a list of housing counseling agencies in your area.

Contact Information

<p>All calls may be monitored and/or recorded for quality assurance purposes.</p> <p>Bankruptcy Department Telephone Number</p> <p>Payoff Department Telephone Number Fax: Fax Number</p>	<p>For all Written Inquiries and Error Resolution requests, please mail to the following:</p> <p>Attn: Research P.O. Box xxxx City, State, Zip Code</p> <p>For Payoff Requests, please mail to the following:</p> <p>Attn: Payoffs PO Box xxx City, State, Zip Code</p>
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Change of Address Form

To ensure accuracy, please print neatly using upper-case letters and numbers only!

If you've filled in a new address and/or phone number, be sure to check the box on the reverse side of this payment coupon.

Change of address form

Street Number (if any)

Street Name or the words P.O. Box

Unit or P.O. Box Number

City

State

Zip

Home Phone

Work Phone

Email Address

**SAMPLE INFORMATIONAL STATEMENT FOR CHAPTER 13 CONSUMERS –
DIRECT PAY PLAN**

LAW OFFICE OF SYNDE B. KEYWELL
skeywell@keywell-law.com

ABX

BANKRUPTCY MORTGAGE STATEMENT (Direct Pay)

Servicer/Creditor Name:
P.O. Box xxxx
City, State, Zip Code

Bankruptcy Statement Date: 03/15/2013

John Adams &
Abigail Adams
135 Adams ST
Quincy, MA 02169

Account Number	12345678
Payment Date	04/01/2013
Post-Petition Monthly Payment Amount	\$1,789.71*

Contact Us

Bankruptcy Department: 1-866-824-0824

Account Information

Outstanding Principal Balance ¹ (See reverse)	\$103,035.00
Interest Rate ² (Until <<December 2014>>)	6.23%
Prepayment Penalty	No
Property Address	135 Adams ST Quincy, MA 02169

Explanation of Post-Petition Monthly Payment Amount

Principal	\$386.46
Interest* (See reverse)	\$1,048.07
Escrow (<<Taxes and Insurance>>)	\$235.18
Monthly Post-Petition Default Payment	\$20.00
Lender Advanced (<<Taxes>>)	\$100.00
Post-Petition Monthly Payment Amount	\$1,789.71

Explanation of Additional Post-Petition Amounts Outstanding

Total Fees and Charges (A separate notice listing fees, expenses and charges will be filed and served, as appropriate)

Default Order Balance	
Lender Advanced (<<Taxes>>)	\$1,000.00
Prior Post-Petition Monthly Payments Outstanding	\$3,000.00
Total Post-Petition Amounts Outstanding	\$4,000.00

Transaction Activity Since Last Statement

Date	Description	Debit(s)	Credit(s)
03/13/2013	Payment Received		\$1,669.71

Past Payments Breakdown

Description	Paid Last Month	Paid Year to Date
Principal	\$386.46	\$1,150.25
Interest	\$1,048.07	\$3,153.34
Escrow	\$235.18	\$705.54
Fees and Charges	\$0.00	\$0.00
Partial Payment(Unapplied)	\$0.00	\$0.00
Total	\$1,669.71	\$5,009.13

Important Messages

*To the extent your original obligation is subject to an automatic stay of bankruptcy under Title 11 of the United States Code, this statement is for compliance and /or informational purposes only and does not constitute an attempt to collect a debt or to impose personal liability for such obligation. However, subject to Bankruptcy Code requirements, we retain rights under the mortgage/deed of trust ("Lien"), including the right to pursue a motion for relief from stay and foreclosure of the Lien on the property listed above.

*Since you are currently involved in a bankruptcy proceeding, please be advised that should any information in this statement conflict with any order or requirement of the Bankruptcy Court, the orders of the Bankruptcy Court control over the information in this statement.

* Please note that this statement does not include information reflecting payments made to the Trustee, including any arrearage payments you have made directly to the Trustee. For information regarding the status of such payments or the remaining arrearage balance, please consult with the Trustee or your lawyer.

* If your bankruptcy plan requires you to make the monthly payments directly to the creditor/servicer, payments should be sent to the address on the attached courtesy Payment Coupon.

Payments to Trustee

Your bankruptcy plan or other order of the Bankruptcy Court requires that arrearage payments be made directly to the Trustee. The provisions of your plan and the Bankruptcy Court's orders control, and these payments should be sent to the Trustee. Do not use the Payment Coupon for arrearage payments you are required to send to the Trustee.

The Trustee maintains a separate record of your payments. Accordingly, the accuracy of this statement may be affected by delays in our receipt of payments from the Trustee. We will account for such payments upon our receipt and in accordance with applicable Bankruptcy Court orders. You will not be penalized for delays in payments from third parties, including payments from the Trustee.

Partial Payment (Unapplied): Any partial payments that you make are not applied to your mortgage, but instead are held in a separate suspense account. Except as noted below, if you pay the balance of a partial payment, the funds will then be applied to your mortgage. If, under the terms of a modification of your mortgage, you are required to make a lump sum or irregular payment, the Partial Payment balance will be applied to your mortgage when the total amount of such payment(s) is received. If your mortgage is in foreclosure or bankruptcy status contact Customer Service at the number on your billing statement with questions about the Partial Payment balances.

Payment Coupon

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Always write your account number on your check.

Account Number: 12345678
Payment Date: 04/01/2013
Payment Amount: \$1,789.71

Enclose this coupon with your payment.

Please check here for change of address & complete other side

Amount Enclosed: \$

John Adams
Abigail Adams
135 Adams ST
Quincy, MA02169
|||||

<<Variable_Branding>>
PO Box xxxx
City, State, Zip Code

|||||

08812345678 0188000 0177600

Important Information Regarding Your Account

	By Phone	By Mail
<p>We acknowledge that you are protected by the automatic stay under the Bankruptcy Code. The automatic stay protects you from any efforts by anyone to collect this debt. This is not a demand for payment and does not constitute an attempt to collect a debt. This statement is being provided for informational and/or compliance purposes only.</p> <p>Since you are presently involved in a bankruptcy proceeding, the Bankruptcy Code requires you to obey all orders of the Bankruptcy Court, including those confirming or modifying the terms of your Plan. You may disregard the payment information and courtesy payment coupon to the extent there is any conflict with an order or requirement of the Bankruptcy Court. If your Plan requires you to make payments directly to the Trustee, any such payments should be remitted to the Trustee in accordance with the orders of the Bankruptcy Court.</p>	<p>For questions about your account, please call 1-Tele. Number to speak with a Bankruptcy Specialist. The hours of operation for the Bankruptcy Department are: Monday – Thursday : 8:00 am to 7:00 pm EST Friday 8:00 am to 4:00 pm EST</p> <p>This is not a statement of the amount necessary to pay off or reinstate the loan. To receive information about options for this loan, please contact us at 1-Tele. Number</p> <p>If you do not want us to send monthly informational statements in the future, please contact us at 1-Telephone Number</p>	<p>Payments can be made at the address below. Please allow 7-10 days for mailing and processing.</p> <p><<variable_branding>> P.O. Box xxxx City, State and Zip Code</p> <p>Checks can be made payable to : <<variable_branding>></p> <p>Overnight payments can be sent to: Addressee Street Address, City, State and Zip code</p> <p>Do not mail payments to the addresses set forth above if payments are to be made to the Trustee or if the mortgage claim is being treated as unsecured under Bankruptcy Court orders.</p>

By sending us a check for payment on your account, you authorize us either to use information from your check to initiate an electronic fund transfer from your account according to the terms of the check or to process this transaction as a check. When we use your check to make an electronic fund transfer, funds may be withdrawn from your account the same day we receive your payment, and you will not receive your check back from your bank. If you do not want your checks to be converted to an electronic fund transfer, please mail your request to: Service Center, ATTN: Addressee and Street Address

If you submit funds that are in excess of the Current Monthly Post-Petition Payment we will apply the excess funds according to the mortgage/deed of trust ("Lien") associated with this account and the terms of any applicable bankruptcy court orders.

Payments sent by first-class mail and received by us at the payment address shown on the payment coupon by 5:00 p.m. Eastern Standard Time Monday through Friday (excluding bank holidays) will be credited as of the date of receipt. Payments must be made by check or money order payable in U.S. dollars and drawn on a U.S. institution. Any payment of \$10,000 or greater must be made via certified funds or money order.

Do not send cash or currency. There may be a delay in posting payments that are not sent by first-class mail, not made as described above, not received at the payment address shown on the payment coupon, not returned with payment coupon, sent by certified or overnight mail and received at the payment coupon address, or less than the minimum payment due.

- 1) Your Outstanding Principal Balance is not a payoff amount. To receive information on paying off the loan, please call us at 1-Telephone Number.
- 2) Please note that this loan includes a Rate Reduction Plan, as described in the loan documents. This plan offers rate reductions and/or payment reductions to eligible customers for making on-line payments. Therefore, the interest rate may decrease if we receive the required number of consecutive on-line payments. For more information, please contact the Bankruptcy Department telephone number on this statement.

**This is a Daily Simple Interest (DSI) loan in which the amount of principal and interest paid each month may vary. The amount of interest due upon receipt of payment is based on the outstanding principal balance and the number of days between each payment. For further explanation of interest calculations, please contact the Bankruptcy Department phone number on your statement.

CREDIT INSURANCE BENEFITS: Credit Insurance may only provide coverage for a portion of the monthly payment, and may not include real estate taxes, homeowner's insurance, lender advanced insurance and/or taxes or the payment of any optional products or fees.

Hardship Relief Programs

Depending upon your current financial situation we may be able to reduce the applicable interest rate and monthly payment amount of this obligation. If you are interested in applying for hardship relief, you or your attorney can contact us during normal business hours at 1-Telephone Number for additional information. For free or low cost HUD sponsored housing advice, call HUD at 1-800-569-4287 or visit <http://www.consumerfinance.gov/mortgagehelp> to get a list of housing counseling agencies in your area. If a hardship modification is approved we will work with you or your attorney, if you are represented, to secure any required Bankruptcy Court approval before the modification is put into place.

Contact Information

<p>All calls may be monitored and/or recorded for quality assurance purposes.</p> <p>Bankruptcy Department 1-Telephone Number</p>	<p>For all Written Inquiries and Error Resolution requests, please mail to the following:</p> <p>Attn: Research P.O. Box xxxxx City, State and Zip Code</p>
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Change of Address Form

To ensure accuracy, please print neatly using upper-case letters and numbers only!
If you've filled in a new address and/or phone number, be sure to check the box on the reverse side of this payment coupon

Change of address form

Street Number (if any)	Street Name or the words P.O. Box	Unit or P.O. Box Number
City	State	Zip
Home Phone	Work Phone	
Email Address		