

Federal Reserve Bank of San Francisco  
101 Market Street, San Francisco, California 94105

June 27, 2012

To State Member Banks, Bank  
Holding Companies, Financial Holding  
Companies, Savings and Loan Holding Companies,  
and Foreign Banking Offices  
in the Twelfth Federal Reserve District

**Agencies Release Financial Remediation Guidance, Extend Deadline for Requesting A Free Independent Foreclosure Review to September 30, 2012**

The Office of the Comptroller of the Currency and the Federal Reserve Board on June 21, 2012 released guidance that will be used in determining the compensation or other remedy that borrowers will receive for financial injury identified during the Independent Foreclosure Review.

The agencies also announced the extension of the deadline for eligible borrowers to request a free review of their mortgage foreclosures under the Independent Foreclosure Review to September 30, 2012. The new deadline gives borrowers two additional months to submit a request for review.

The guidance helps ensure that similarly situated borrowers who suffered financial injury as a result of errors in foreclosure actions on their homes are treated similarly. Under the guidance, remediation for injuries may include lump-sum payments, suspension or rescission of a foreclosure, a loan modification or other loss mitigation assistance, correction of credit reports, or correction of deficiency amounts and records. Lump sum payments can range from \$500 to, in the most egregious cases, \$125,000 plus equity.

The guidance covers many examples, but does not cover all possible scenarios. Examples of some of the actions by a servicer that might have resulted in financial injury include:

- Foreclosing on a borrower in violation of the Servicemembers Civil Relief Act;
- Foreclosing on a borrower who was not in default on the mortgage;
- Failing to convert a qualified borrower to a permanent modification after successful completion of a written modified payment plan that was supposed to lead to permanent modification;
- Foreclosing on a borrower prior to expiration of a written modified payment plan that leads to permanent modification, while borrower was performing all requirements of the written plan;
- Denying a borrower's loan modification application that should have been approved;
- Failing to offer loan modification options as required by an applicable program;
- Giving a borrower a loan modification with a higher interest rate than should have been charged under the relevant loan modification program;
- Foreclosing on a borrower in violation of federal bankruptcy laws;
- Not providing a borrower with proper notification during the foreclosure process; and
- Committing errors that did not result in foreclosure, but resulted in other financial injury.

Requesting a review does not preclude borrowers from taking other actions related to their foreclosures. A servicer is not permitted to require a borrower to sign a waiver of the borrower's ability to pursue claims against the servicer in order to receive compensation under the Independent Foreclosure Review.

The announcements continue efforts to implement actions that the agencies required of servicers in enforcement actions issued in April 2011 to correct unsafe and unsound mortgage servicing and foreclosure practices. Those orders required servicers to retain independent consultants to review foreclosures that were in process in 2009 or 2010, and required servicers to remediate financial injury that is found.

More information, including how to apply online, about the Independent Foreclosure Review is available at <http://www.independentforeclosurereview.com>

**Additional Information**

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact:

Federal Reserve Bank of San Francisco  
Banking Supervision and Regulation  
(801) 322-7853

**Attachment:** [Financial Remediation Frequently Asked Questions \(PDF\)](#)

[Financial Remediation Framework \(PDF\)](#)