

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

April 23, 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

Consumer Financial Protection Bureau (CFPB) Outlines Mortgage Loan Servicing Proposals under Consideration

On April 9, 2012, the CFPB announced that they are considering new proposed mortgage servicing rules. The proposed rules under consideration include a number of Dodd-Frank Act mandates as well as new servicing operations standards.

The Dodd-Frank Act mandates several protections for consumers in the servicing of their loans, including:

- New disclosures (periodic statements, notices prior to reset of adjustable rate mortgages (“ARM”), and force-placed insurance notices) that are designed to help provide consumers comprehensive and comprehensible information;
- New requirements for servicers to respond in a timely manner to homeowners who complain to their servicer about potential mistakes, and for responses that tell the homeowner how the complaint was resolved and why;
- Prompt crediting of payments, so consumers are not wrongly penalized with late fees or other fees because a servicer did not credit their payments quickly; and
- Timely response to requests for payoff information, so consumers can obtain their balance information when they need it.

In addition, the CFPB is considering proposing new servicing operations standards in three areas:

- Servicers would have to maintain reasonable information management policies and procedures;
- Servicers would have to intervene early with troubled and delinquent borrowers; and
- Servicers would have to assure that staff who deal with homeowners have access to records about that homeowner, including records of the homeowner’s previous communications with the servicer.

The [Outline of Proposals Under Consideration and Alternatives Considered](#) outlines proposals under consideration for each of the areas noted above. The Dodd-Frank Act requirements are self-executing and enforceable on January 21, 2013, unless final rules are issued on or before that date. As a result, the Bureau plans to implement the statutory provisions by proposing amendments to Regulation Z and Regulation X over the summer and issuing final rules by early next year. Although the current outline of proposals is not an official data request, the Bureau states that it welcomes any qualitative information entities, including servicers, may choose to provide.

As the CFPB document is designed to provide details about the proposals under consideration, we encourage bankers to understand the standards being considered and utilize future comment periods as an opportunity to influence final rules and help prevent unintended consequences resulting from any new rules.

Resources

Bank management is encouraged to remain apprised of the Bureau's activities by referencing their website at <http://www.consumerfinance.gov>.

The Federal Reserve Bank of St. Louis has also established a regulatory reform rules website that tracks the progress of more than 200 proposals and rules that will be written by the various Federal agencies to implement the Dodd-Frank Act. The site is located at: <http://www.stlouisfed.org/regreformrules/>.

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 regarding supervisory expectations, please contact:

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