Mortgage Servicing Complaints to CFPB Remain High

December 23, 2015

The CFPB's September "consumer complaints snapshot" highlighted mortgage servicing complaints, in particular those related to loss mitigation applications. As the mortgage market is the largest consumer financial market place in the United States it is not surprising that the CFPB reported that it has received more complaints concerning mortgages than about any other consumer financial product since it first began accepting consumer complaints in 2011. **The majority of mortgage servicing complaints discussed in the September 22 snapshot were from consumers unable to make mortgage payments;** these include complaints alleging delays and lack of information in applying for loan modification, and that servicers moved forward with foreclosure while modification applications were still under review. Consumers also complained that companies did not accept payments of anything less than the full balance owed, and that payments were not credited in accordance with consumer instructions. Complaints about servicing transfers also remain high according to the report, with consumers complaining of not being properly informed about the date of transfers, confused about where to make payments after transfers, and, that payments increased unexpectedly after transfer. The new loan estimate form under the Bureau's TILA-RESPA Integrated Disclosure Rule rule, required to be used as of October 3, includes a disclosure as to the lender's intent to retain or transfer servicing, and replaces the initial servicing disclosure statement previously required by RESPA regulation 1024.33(a) for first lien home mortgages. Section 1024.33(b) of the servicing transfer regulation also requires written notices of servicing transfers of most federally-related mortgage loans be given not less than 15 days of a transfer. Issues relating to servicing transfers have been high on the Bureau's radar since before 2013, when it issued, together with state attorneys general, an enforcement order requiring the nation's largest third-party mortgage servicer to provide $2 billion in principal reductions and issue $125 million in refunds based on post-transfer servicing practices including improper denial of loss mitigation applications which it found to constitute unfair and deceptive or abusive practices. Last October, the Bureau published a Compliance Bulletin/Policy Guidance on Servicing Transfers (Bulletin 2014-1), citing to practices included in the 2013 order, expressing heightened concern about transfer-related risks to consumers, advising that servicers may be required to submit plans for managing transfer-related consumer risks, and stating that it will continue monitoring the mortgage servicing market with further rulemaking and enforcement orders possible.

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