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MADIGAN: ILLINOIS HOMEOWNERS RECEIVE \$1.8 BILLION IN RELIEF FROM NATIONAL FORECLOSURE SETTLEMENT

Attorney General Cites Compliance Concerns, Citing 60% of Cases Sampled Failing to Comply With Key Settlement Timeline Term

Chicago—Attorney General Madigan today reported Illinois homeowners have received more than \$1.8 billion in relief under the national foreclosure settlement, according to the latest independent monitor report. Madigan, however, cited compliance concerns involving the settlement's new mortgage "servicing standards."

As of March 2013, Madigan said, 25,142 Illinois consumers have received more than \$1.8 billion in relief under the settlement, with an average of \$71,777 in direct assistance per borrower, in principal reductions and refinancing for underwater loans. Significantly, of those receiving assistance in Illinois, more than 3,500 homeowners received first-lien principal reductions averaging \$118,235. Illinois ranks among the top five states for the amount of relief directed to homeowners, according to Madigan.

However, the Attorney General noted an alarming pattern of potential violations of mortgage "servicing standards" set forth in the 2012 settlement. Madigan said her office initiated a review of loan modification files submitted to her office and found that in 60 percent of the files surveyed, servicers failed to comply with a requirement that they notify borrowers within five days of missing documents in their applications. The requirement was included in the settlement to prevent servicers from delaying reviews by making multiple document requests of borrowers. Madigan's office further found that in 45 percent of the files reviewed, servicers made multiple document requests of homeowners in violation of the new standards. Madigan said her office has heard similar concerns echoed by local legal aid groups and housing counselors regarding the banks' efforts to meet certain deadlines.

Madigan said failure to comply with the stated deadlines increases the chances that struggling homeowners could lose their homes to foreclosure because the longer loan modifications are delayed, the further behind homeowners can fall on their payments as additional fees, penalties and interest accumulate.

"The new servicing standards were supposed to eliminate headaches for homeowners," Madigan said. "But unfortunately, it seems we're hearing about the same frustrating experiences. Homeowners are getting the runaround, receiving multiple requests for the same information and experiencing continued delays that put them closer to foreclosure. It's important that the independent monitor closely review the problematic patterns we're seeing to ensure the banks are held accountable under the settlement."

Last year, Madigan joined 48 states, the U.S. Department of Justice and the nation's five largest bank mortgage servicers – Bank of America, JPMorgan Chase, Wells Fargo, Citibank and Ally Bank, formerly GMAC – in a \$25 billion settlement to address allegations of widespread "robo-signing" of foreclosure documents and other fraudulent practices banks employed while servicing loans of struggling homeowners.

In addition to providing direct relief to borrowers who either lost their homes or were at risk of foreclosure, the settlement established new national "servicing standards" to better assist and protect borrowers who are behind on their mortgages. In the past, regardless of how well borrowers complied with bank requirements to try to obtain a loan modification or other assistance, borrowers ended up facing foreclosure because the banks failed to provide fair and efficient service to customers. These tough, new standards were set to ensure borrowers were given a fair chance to save their homes. The 304 new standards included provisions that require:

- Distressed borrowers be considered for a loan modification rather than being automatically referred to foreclosure.
- No loan be referred to foreclosure while a loan modification is being considered.

- Mortgage servicers provide a single point of contact for borrowers as well as easier methods for checking on the progress of their loan modification applications.
- Loan servicers to be held to strict timelines in dealing with distressed borrowers.

“One of the most frustrating experiences for homeowners occurs when servicers make repeated requests for documents during the loan modification process,” Madigan said. “Homeowners feel that they are on a ‘hamster wheel’ of unending document requests, which causes some homeowners to drop out of the process and, ultimately, lose their homes.”

Attorney General Madigan’s office serves on the settlement’s state monitoring committee to ensure that the servicers deliver on the new standards and consumer relief provisions of the settlement. The committee is working with the independent monitor to address concerns regarding noncompliance with the servicing standards’ new loss mitigation timelines. Madigan’s office initially alerted the monitor on March 25 about the potential violations of the servicing standards. The Attorney General’s office employs a staff of housing counselors who work directly with consumers and servicers to obtain affordable loan modifications, making it uniquely positioned to uncover potential violations.

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