

Press Releases

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MADIGAN: BANKS TO ADDRESS POTENTIAL VIOLATIONS OF THE NATIONAL MORTGAGE SETTLEMENT***Banks Will Implement New Procedures to Reduce Multiple Requests for Documents, Miscommunication with Distressed Borrowers***

Chicago—Attorney General Lisa Madigan and her counterparts on the National Mortgage Settlement’s Monitoring Committee today announced that the nation’s five largest bank mortgage servicers will implement new procedures to improve the process for struggling homeowners seeking loan modifications.

With today’s agreement, the banks will give homeowners 30 more days to respond to requests for additional documents before the borrowers’ homes may be referred for foreclosure or sale. The banks will also increase oversight of their representatives who communicate with borrowers about the status of their loan modification applications.

The improvements aim to resolve complaints from distressed borrowers, legal aid groups and housing counselors that banks have failed to meet new servicing standards set forth in the 2012 settlement that were designed to ensure distressed borrowers are given a fair chance to save their homes.

“The bank servicing standards established in the national settlement were supposed to eliminate headaches for borrowers, but homeowners continue to report problems,” Madigan said. “The changes the banks have agreed to make must ensure a fair and more efficient process. My office will continue to assess the effectiveness of these improvements.”

Bank of America and Wells Fargo also have agreed to additional process improvements, including:

- Refining and enhancing customer communication regarding missing information, specifically providing greater clarity around why certain documents are needed;
- Conducting an early underwriting review for customers with potentially complex transactions;
- Providing an escalation process for customers experiencing multiple documentation or clarification requests;
- Establishing a direct contact for housing counseling agencies that work on behalf of homeowners to manage questions and concerns and providing a pipeline for those homeowners; and
- Adopting the use of an electronic online portal to submit documents to the bank to streamline communication and increase transparency for servicers, advocates and homeowners.

In May, Madigan noted an alarming pattern of potential violations of mortgage servicing standards required under the settlement. Madigan said that in 60 percent of the loan modification files reviewed by her office, servicers failed to comply with a requirement that they notify borrowers within five days of missing documents in their applications. Additionally, in 45 percent of the files, borrowers were forced to respond to multiple requests for documents by the servicers. Madigan’s office heard similar concerns from local legal aid groups and housing counselors regarding the banks’ efforts to meet certain deadlines.

The \$25 billion national settlement was announced last year by Madigan, 48 states and the U.S. Department of Justice with the nation’s five largest bank mortgage servicers – Bank of America, JPMorgan Chase, Wells Fargo, Citibank and Ally Bank, formerly GMAC – to address allegations of widespread “robo-signing” of foreclosure documents and other fraudulent practices banks employed while servicing mortgages of struggling homeowners.

Illinois homeowners and assistance organizations have received more than \$2 billion in total relief under the national mortgage settlement. Homeowners with questions about the national settlement should contact Madigan's Homeowner's Helpline at 866-544-7151, or visit her website, www.illinoisattorneygeneral.gov/consumers/bankforeclosuresettlement.html. Borrowers also can visit www.NationalForeclosureSettlement.com.

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