DOWNLOAD PDF REGULATION OF MORTGAGES.

Chapter 1 : Regulation X: A New Direction for the Regulation of Mortgage Servicers

The Code of Federal Regulations (CFR) contains the official text of agency regulations and is updated once a year. The CFR is updated by amendments published in the Federal Register. Used together, these two publications establish the latest versions of published regulations. Here you can access.

New York University My sincerest gratitude goes to Professor Frank S. Alexander for his invaluable guidance and knowledge. I appreciated your patience, expertise, and reassurance at every step of the writing process. I am indebted to my friends who spent hours listening to me talk about mortgages and this process. Your words of encouragement and insightful feedback motivated me to do my best. Finally, I want to thank my incredible parents, Bob and Linda Dewar, and my sisters, McKenzie and Heather, for their unconditional love and support. You have helped me open so many doors and I could not have done this without you. Abstract Mortgage servicers are responsible for handling the day-to-day processing of mortgage loans. These responsibilities include processing borrower payments, transferring funds to trustees and investors, and answering borrower inquiries. Mortgage servicers are also responsible for handling delinquent loans when a borrower is late making payments. If a borrower does not cure the delinquency, mortgage servicers are responsible for choosing whether to pursue a foreclosure sale or to implement a loss mitigation option. Foreclosures are detrimental to borrowers and the surrounding community. Forcing a borrower to leave her home creates a negative feedback loop, lowering property values in the surrounding area. Loss mitigation options are pursued as an alternative to avoid the harmful effects of foreclosures. The financial crisis of â€” brought to light mortgage servicer behavior that pushed through an unnecessary number of foreclosures, even where borrowers had finalized loss mitigation negotiations with mortgage servicers. Reports attribute these foreclosures to miscommunication between servicers and borrowers and poor internal communication within servicers. The unprecedented number of foreclosures exacerbated the severity of the financial crisis. The Consumer Financial Protection Bureau the Bureau , created by the Dodd-Frank Wall Street Reform and Consumer Protection Act in , has finalized new regulations aimed at stopping the servicing behavior that contributed to such unnecessary foreclosures. This Comment also addresses the immediate and potential effects of the amendments. The Bureau is equipped with stronger supervisory and enforcement powers than any previous federal agency in this field. The amendments create an observable record of servicer behavior that will allow the Bureau to efficiently enforce federal consumer protection law, bringing greater accountability to the mortgage servicing industry. Despite this strong immediate effect, the amendments leave room for servicer discretion and manipulation, which would leave borrowers exposed to the prospect of unnecessary foreclosures. Introduction Mortgage servicers are responsible for the day-to-day processing of mortgage loans. This includes processing payments, communicating with borrowers and investors, and handling escrow accounts. Additionally, when a borrower defaults on her loan, servicers are responsible for proceeding with a foreclosure sale, which can be detrimental to the borrower and the surrounding community, or avoiding foreclosure by implementing various loss mitigation options. Because the residential mortgage market is the single largest market for consumer financial products and services in the United States, servicers are charged with immense responsibility. Poor lending practices during the s and early s led to a wave of borrower delinquencies, causing the financial crisis of â€” The Role of Greed, Fear, and Oligarchs 3â€”5 , available at https: Mortgage servicers, who faced very little government oversight and regulation, were unprepared to handle the wave of defaults. Borrowers, who in previous years might have had the opportunity to pursue a loss mitigation option, were pushed through hasty foreclosures. The increase in foreclosures increased the harm to borrowers and communities, creating a negative feedback loop. A Legal Analysis 9 , available at http: Congress granted the Bureau broad rulemaking and enforcement powers to accomplish these goals. The Bureau used its rulemaking powers to promulgate a new rule with stricter requirements for mortgage servicers. The first amendment requires servicers to implement general recordkeeping procedures. The second requires early contact with delinquent borrowers. The third requires servicers to maintain a point of contact with borrowers, 15Id. These regulations are generally aimed at monitoring servicer behavior and preventing borrowers from undergoing unnecessary foreclosures. The regulations trigger two questions that prompt further inquiry. The answers to these questions are addressed in this Comment. The second question is what the amendments achieve. The Bureau will be able to track servicer behavior and ensure compliance with federal laws through these data. If a servicer fails to comply with federal consumer protection laws, the Bureau can initiate a strong enforcement action. Under the amendments, servicers are still able to exercise their discretion in loss mitigation decisions that will block borrower access to affordable loan modifications and keep borrowers exposed to unnecessary foreclosures. This Comment contends that further regulation is required to fill in these gaps. Although further regulation is needed, this Comment asserts that the Regulation X amendments are a move in the right direction to provide more transparency and accountability for consumers in mortgage servicing. It explains what loss mitigation and foreclosure are, compares the outcomes for borrowers under those options, and explores how a servicer chooses between pursuing loss mitigation and foreclosure. Understanding these powers is key to understanding how the Bureau promulgated the amendments and how it will enforce them. The data creation and unified set of standards should address many of the concerns over servicer behavior that contributed to the wave of foreclosures during the financial crisis, as discussed in Part I. Part IV advocates for further regulation to fill various gaps in the amendments. Part IV explains that these additional regulations would be additional steps to stop servicers from pushing through convenient foreclosures and avoiding providing borrowers with affordable loss mitigation options. This Part then discusses the differences between loss mitigation options and foreclosure and how servicers decide whether to implement a loss mitigation option or proceed with foreclosure. This background is important to understand the ramifications of unnecessary foreclosures and identify the aspects of mortgage servicing that the Regulation X amendments intend to fix and the gaps that this Comment argues remain to be regulated. Mortgage servicing is performed by a variety of entities, including banks, thrifts, credit unions, and nonbanks. Although historically loan originators serviced the loans they produced, today over half of mortgage servicers are not affiliated with the originators. Some scholars believe this disconnect has contributed to the lack of transparency and accountability in the mortgage market. The borrower does not have any choice as to which mortgage servicer is charged with servicing the loan as servicers are assigned to borrowers, not selected by them. Unlike some government-sponsored enterprises, such as the Government National Mortgage Association Ginnie Mae , private-label loans are not backed by the full faith and credit of the U. Agency, supra note 1, at 2; Diane E. Servicer Compensation and Its Consequences 3â€"4 When residential mortgages are securitized, thousands of loans are held in common ownership and ownership is centrally held by a trust. Bonds are then issued from the trust and the bonds give investors the right to different categories of payment. The trustee manages the securitized loan pool on behalf of the investors. Thus, the investors and the trustee have different relationships with the mortgage servicer. Agency, supra note 1, at 2. Servicers are contractually obligated to maximize the benefit for investors in a trust. Servicers, under standard PSAs, do not have a similar contractual duty to act in the interest of the borrower. Mortgage servicers are charged with the day-to-day processing and monitoring of mortgage loans. They process monthly payments, maintain records, manage escrow accounts, and communicate with borrowers by answering borrower inquiries, distributing tax information, and responding to payoff requests. Agency, supra note 1, at 3. Servicers are also responsible for reporting information and distributing payments to investors, guarantors, and trustees. Servicers may also be responsible for payments to third parties such as tax and insurance payments from escrow accounts and to insurance companies for force-placed insurance. Trade Commission June , http: Servicers remain responsible for a loan once the borrower has become delinquent in payments or otherwise defaults under the mortgage documents. When a borrower fails to make payments, the servicer is obligated under the PSA to advance principal, interest, or both to the investor plus other advances such as taxes and insurance. Agency, supra note 1, at 3â€"4. If the property is foreclosed on, then the servicer is responsible for conducting the foreclosure process. Despite the numerous obligations for servicers in a PSA, the documents for private-label securities typically give limited guidance to servicers. Myths and Realities 13, 17, 21 Fed. Discussion Series, Working Paper No. Such lack of guidance historically has not been problematic because servicing requirements are generally routine. Thompson, supra note 22, at However, when there are high default rates on loans, such as during the financial crisis that began in late , 40See infra Part I. Other than the broad obligation to maximize the economic interest of investors, PSAs give servicers broad discretion in deciding between foreclosure and loss mitigation solutions. Required disclosures include the following: Comparing Loss Mitigation Options and Foreclosure 46Different industries have various views on the relationship between foreclosure and loss mitigation. From an investor perspective, foreclosure may be seen as a subset of loss mitigation because the foreclosure sale allows the investor to mitigate the loss on his investment. From a regulatory perspective, loss mitigation and foreclosure may be viewed as alternative approaches to a default, in which case loss mitigation is understood as avoiding foreclosure. The view that loss mitigation and foreclosure are two separate categories is the view that the Bureau takes in the Regulation X amendments and is the view that this Comment endorses. If a borrower defaults on her mortgage payments, servicers are obligated under PSAs to maximize recovery of the remaining amount due on behalf of the investors. There are two ways that a servicer can maximize such recovery of the amount owed by the borrower: PSAs generally permit modification of a loan where the loan is in default or where default is reasonably foreseeable. Thompson, supra note 25, at 5â€”6. A foreclosure allows investors to recover their investments by cashing in on the value of the underlying property. Although recovery through a foreclosure may be beneficial for investors, foreclosures are harmful for borrowers. A foreclosure forces a borrower out of her home, oftentimes without allowing the borrower to recover any equity she has built up, and may expose the borrower to a deficiency action. Summary of Findings , available at http: As many as ten million borrowers are currently at risk of foreclosure nationwide.

DOWNLOAD PDF REGULATION OF MORTGAGES.

Chapter 2 : Mortgage Compliance Cheat Sheets | Compliance Alliance

In terms of conduct regulation, different requirements apply depending on whether the mortgage is secured on the borrower's own home, or on an investment property through a buy-to-let mortgage. All home-owner mortgages are regulated by the FCA, but most buy-to-let mortgages are not.

The nature of the housing bubble in both the U. Both the Democratic majority conclusions and Republican minority dissenting statement, representing the views of nine of the ten commissioners, concluded that government housing policies had little to do with the crisis. The majority report stated that Fannie Mae and Freddie Mac "were not a primary cause of the crisis" and that the Community Reinvestment Act "was not a significant factor in subprime lending or the crisis. This tells us to look to the credit bubble as an essential cause of the U. It also tells us that problems with U. I believe that the sine qua non of the financial crisis was U. This comparison clearly indicates that adherence to the CRA led to riskier lending by banks. Additionally it was criticized for not considering an alternate explanation: The sentries were not at their posts, in no small part due to the widely accepted faith in the self-correcting nature of the markets and the ability of financial institutions to effectively police themselves. More than 30 years of deregulation and reliance on self-regulation by financial institutions, championed by former Federal Reserve chairman Alan Greenspan and others, supported by successive administrations and Congresses, and actively pushed by the powerful financial industry at every turn, had stripped away key safeguards, which could have helped avoid catastrophe. This approach had opened up gaps in oversight of critical areas with trillions of dollars at risk, such as the shadow banking system and over-the-counter derivatives markets. In addition, the government permitted financial firms to pick their preferred regulators in what became a race to the weakest supervisor. Among the new mortgage loan types created and gaining in popularity in the early s were adjustable-rate, option adjustable-rate, balloon-payment and interest-only mortgages. These new loan types are credited with replacing the long-standing practice of banks making conventional fixed-rate, amortizing mortgages. Among the criticisms of banking industry deregulation that contributed to the savings and loan crisis was that Congress failed to enact regulations that would have prevented exploitations by these loan types. Subsequent widespread abuses of predatory lending occurred with the use of adjustable-rate mortgages. This encouraged "subprime" mortgages. See HUD Mandates, below. It separated commercial banks and investment banks, in part to avoid potential conflicts of interest between the lending activities of the former and rating activities of the latter. Economist Joseph Stiglitz criticized the repeal of the Act. It aligned the formerly competing investment and commercial banking sectors to lobby in common cause for laws, regulations and reforms favoring the credit industry. The vast majority of failures were either due to poorly performing mortgage loans, permissible under Glass-Steagall, or losses by institutions who did not engage in commercial banking and thus were never covered by the act. Wallison points out that none of the major investment banks that were hit by the crisis, "Bear, Lehman, Merrill, Goldman, or Morgan Stanley â€" were affiliated with commercial banks" but were stand-alone investment banks allowable by Glass-Steagall. The mortgage banks, Wachovia, Washington Mutual, and IndyMac, were also independent banks existing before the repeal of Glass. Depository banks will take deposits and purchase assets with them, assuming not all deposits will be called back by depositors. The riskier the assets the bank selects, the higher the capital requirements to offset the risk. Depository banks were subject to extensive regulation and oversight prior to the crisis. Deposits are also guaranteed by the FDIC up to specific limits. However, depository banks had moved sizable amounts of assets and liabilities off-balance sheet, via complex legal entities called special purpose vehicles. This allowed the banks to remove these amounts from the capital requirements computation, allowing them to take on more risk, but make higher profits during the pre-crisis boom period. When these off-balance sheet vehicles encountered difficulties beginning in , many depository banks were required to cover their losses. Large investment banks at the center of the crisis in September , such as Lehman Brothers and Merrill Lynch, were not subject to the same capital requirements as depository banks see the section on the shadow banking system below for more information. The fact is, banks do benefit from implicit and explicit government safety nets.

Investing in a bank is perceived as a safe bet. Without proper capital regulation, banks can operate in the marketplace with little or no capital. And governments and deposit insurers end up holding the bag, bearing much of the risk and cost of failure. History shows this problem is very real â€¦ as we saw with the U. The final bill for inadequate capital regulation can be very heavy. However, the investment banks, insurers, hedge funds, and money market funds within the non-depository system were not subject to the same regulations as the depository system, such as depositor insurance and bank capital restrictions. Many of these institutions suffered the equivalent of a bank run with the notable collapses of Lehman Brothers and AIG during September precipitating a financial crisis and subsequent recession. Yet, over the past plus years, we permitted the growth of a shadow banking systemâ€"opaque and laden with shortterm debtâ€"that rivaled the size of the traditional banking system. Key components of the marketâ€"for example, the multitrillion-dollar repo lending market, off-balance-sheet entities, and the use of over-the-counter derivativesâ€"were hidden from view, without the protections we had constructed to prevent financial meltdowns. We had a 21st-century financial system with 19th-century safeguards. Treasury Secretary Timothy Geithner , then President and CEO of the NY Federal Reserve Bank, placed significant blame for the freezing of credit markets on a "run" on the entities in the "parallel" banking system, also called the shadow banking system. These entities became critical to the credit markets underpinning the financial system, but were not subject to the same regulatory controls. Further, these entities were vulnerable because they borrowed short-term in liquid markets to purchase long-term, illiquid and risky assets. This meant that disruptions in credit markets would make them subject to rapid deleveraging , selling their long-term assets at depressed prices. He described the significance of these entities: Influential figures should have proclaimed a simple rule: When concerns arose regarding its financial strength, its ability to secure funds in these short-term markets was compromised, leading to the equivalent of a bank run. The securitization markets started to close down in the spring of and nearly shut-down in the fall of More than a third of the private credit markets thus became unavailable as a source of funds. The GSEs participated in the expansion of subprime and other risky mortgages, but they followed rather than led Wall Street and other lenders into subprime lending. The three [41] wrote: Government entities held or guaranteed Aggressive promotion of easy automated underwriting standards[edit] In Fannie and Freddie introduced automated underwriting systems, designed to speed-up the underwriting process. These systems, which soon set underwriting standards for most of the industry whether or not the loans were purchased by the GSEs greatly relaxed the underwriting approval process. An independent study of about loans found that the same loans were 65 percent more likely to be approved by the automated processes versus the traditional processes. Some analysts believe that the use of AVMs, especially for properties in distressed neighborhoods, led to overvaluation of the collateral backing mortgage loans. The Wall Street Journal reported that the underwriting software was "made available to thousands of mortgage brokers" and made these "brokers and other small players a threat to larger banks. For example, the "Affordable Gold " line of loans, designed by Freddie, required no down payment and no closing costs from the borrower. The closing costs could come from "a variety of sources, including a grant from a qualified institution, gift from a relative or an unsecured loan. This relationship is described in Chain of Blame by Muolo and Padilla: Estimates of the subprime loan and securities purchases of Fannie and Freddie[edit] Critics claim that the amount of subprime loans reported by the two GSEs are wildly understated. The highest estimate was produced by Wallison and Edward Pinto, based on amounts reported by the Securities and Exchange Commission in conjunction with its securities fraud case against former executives of Fannie and Freddie. Other low estimates are simply based on the amounts reported by Fannie and Freddie in their financial statements and other reporting. As noted by Alan Greenspan, the subprime reporting by the GSEs was understated, and this fact was not widely known until For example, Wallison and Calomiris used 5 factors which, they believe, indicate subprime lending. Those factors are negative loan amortization, interest-only payments, down-payments under 10 percent, low-documentation, and low FICO credit scores. Nevertheless, the two GSEs promoted the subprime loans that they could not buy. Freddie would work with "several firms" in an effort to find buyers for these [subprime] loans. In , Franklin Raines first put Fannie Mae into subprimes, following up on earlier Fannie Mae efforts in the s, which reduced mortgage down payment requirements. At this time, subprimes represented a tiny fraction of the overall mortgage market. From forward, private lenders increased their share of subprime lending, and later issued many of the riskiest loans. In , one out of every four loans purchased by Fannie Mae came from Countrywide. Widespread as this belief has become in conservative circles, virtually all serious attempts to evaluate the evidence have concluded that there is little merit in this view. Sanders reported in December Business journalist Kimberly Amadeo reports: Three years later, commercial real estate started feeling the effects. Gierach, a real estate attorney and CPA, wrote: In other words, the borrowers did not cause the loans to go bad, it was the economy. Just one year later, it dropped to There was no question about why this was happening: Among its key recommendations for increasing In a article on Fannie Mae, the New York Times describes the company as responding to pressure rather than setting the pace in lending. By , "competitors were snatching lucrative parts of its business. Congress was demanding that [it] help steer more loans to low-income borrowers. According to Journalist McLean, "the theory that the GSEs are to blame for the crisis" is a "canard", that "has been thoroughly discredited, again and again. Pinto stated that, at the time the market collapsed, half of all U. The GAO estimated in that only 4. Significantly, the SEC alleged and still maintains that Fannie Mae and Freddie Mac reported as subprime and substandard less than 10 percent of their actual subprime and substandard loans. By contrast, the national average was 9. The Fannie and Freddie Alt-A default rate is similarly much lower than the national default rate. The only possible explanation for this is that many of the loans being characterized by the S. The GSEs were far more concerned to maximize their profits than to meet these goals; they were borrowing at low rates to buy high-paying mortgage securities once their accounting irregularities were behind them. Most disturbing about the GSEs, they refused to maintain adequate capital as a cushion against losses, despite demands from their own regulators that they do so. Everybody understood that we were now buying loans that we would have previously rejected, and that the models were telling us that we were charging way too little, but our mandate was to stay relevant and to serve low-income borrowers.

DOWNLOAD PDF REGULATION OF MORTGAGES.

Chapter 3 : Title and Mortgage Industry Laws and Regulations Defined - Axis Technical Group

On regulations and guidelines to help ensure the accuracy and integrity of information provided to consumer reporting agencies and to allow consumers to directly dispute inaccuracies with financial institutions and other entities that furnish information to consumer reporting agencies (comments due February 11,).

The guide summarizes and explains rules adopted by the Board but is not a substitute for any rule itself. Only the rule itself can provide complete and definitive information regarding its requirements. A principal purpose of TILA is to promote the informed use of consumer credit by requiring disclosures about its terms and cost. TILA also includes substantive protections. Prohibitions related to mortgage originator compensation and steering Regulation Z prohibits certain practices relating to payments made to compensate mortgage brokers and other loan originators. The goal of the amendments is to protect consumers in the mortgage market from unfair practices involving compensation paid to loan originators. The prohibitions related to mortgage originator compensation and steering apply to closed-end consumer loans secured by a dwelling or real property that includes a dwelling. It also does not apply to loans secured by real property if the property does not include a dwelling. For purposes of these rules, loan originators are defined to include mortgage brokers, who may be natural persons or mortgage broker companies. This includes companies that close loans in their own names but use table-funding from a third party. The term loan originator also includes employees of creditors and employees of mortgage brokers that originate loans i. Creditors are excluded from the definition of a loan originator when they do not use table funding, whether they are a depository institution or a non-depository mortgage company, but employees of such entities are loan originators. The rule provides a safe harbor to facilitate compliance with the prohibition on steering. Creditors who compensate loan originators must retain records to evidence compliance with Regulation Z for at least two years after a mortgage transaction is consummated. Compliance with these rules is mandatory beginning on April 1, Accordingly, the rules on originator compensation apply to transactions for which the creditor receives an application on or after April 1, States that the regulation applies to all persons who originate loans, including mortgage brokers and their employees, as well as mortgage loan officers employed by depository institutions and other lenders. The rule does not apply to payments received by a creditor when selling the loan to a secondary market investor. When a mortgage brokerage firm originates a loan, it is not exempt under the final rule unless it is also a creditor that funds the loan from its own resources, such as its own line of credit. Similarly, any reduction in origination points paid by the consumer must be a cost borne by the creditor. Under the rule, the amount of credit extended is deemed not to be a transaction term or condition of the loan for purposes of the prohibition, provided the compensation payments to loan originators are based on a fixed percentage of the amount of credit extended. However, such compensation may be subject to a minimum or maximum dollar amount. The minimum or maximum amount may not vary with each credit transaction. Creditors may use other compensation methods to provide adequate compensation for smaller loans, such as basing compensation on an hourly rate, or on the number of loans originated in a given time period. In this case, the originator is guaranteed payment of a minimum amount for each loan, regardless of the amount of credit extended to the consumer. If any loan originator receives compensation directly from a consumer in a transaction, no other person may provide any compensation to a loan originator, directly or indirectly, in connection with that particular credit transaction. Thus, no person who knows or has reason to know of the consumer-paid compensation to the loan originator other than the consumer may pay any compensation to a loan originator, directly or indirectly, in connection with the transaction. Provides a safe harbor to facilitate compliance. The safe harbor is met if the consumer is presented with loan offers for each type of transaction in which the consumer expresses an interest that is, a fixed rate loan, adjustable rate loan, or a reverse mortgage ; and the loan options presented to the consumer include: A the loan with the lowest interest rate for which the consumer qualifies; B the loan with the lowest total dollar amount for origination points or fees, and discount points, and C the loan with the lowest rate for which the consumer qualifies for a loan without negative amortization, a prepayment penalty, interest-only payments, a balloon payment in the first 7 years of the life of the loan, a demand feature, shared equity, or shared appreciation; or, in the case of a reverse mortgage, a loan without a prepayment penalty, or shared equity or shared appreciation. To be within the safe harbor, the loan originator must obtain loan options from a significant number of the creditors with which the originator regularly does business. The loan originator can present fewer than three loans and satisfy the safe harbor, if the loan s presented to the consumer otherwise meet the criteria in the rule. The loan originator must have a good faith belief that the options presented to the consumer are loans for which the consumer likely qualifies. For each type of transaction, if the originator presents to the consumer more than three loans, the originator must highlight the loans that satisfy the criteria specified in the rule.

Chapter 4 : Pennsylvania Regulation of Mortgage Servicers | Mortgage Bankers Association

Mortgage Laws And Regulations To Protect The Consumer. Following is a brief description of the major laws and regulations meant to govern the mortgage lending process, protect mortgage borrowers, and govern the practices of financial institutions with regard to mortgage lending and protection of borrower financial information.

Pennsylvania Mortgage Servicing Robert J. He concentrates his practice in structured finance and assists clients in buying, selling and securitizing financial assets, sales of servicing portfolios and warehouse lending and conduit financing. He represents buyers and lenders in the aggregation of financial assets to be securitized, including mortgage loans, student loans, credit card receivables, equipment leases, motor vehicle loans and dealer floor plans. He also represents municipalities and municipal authorities on a wide range of issues, including financing, acquisition, construction and improvement of water and waste water facilities. He can be reached at rjhj stevenslee. Thirty six other states have adopted rules to license and regulate Servicers following the Mortgage Servicing Rule. Pennsylvania has embraced new licensing and regulation of Servicers previously unregulated by the Commonwealth, but the Act raises many questions for Servicers. The Amendment requires Servicers to be licensed and provides separate licenses for mortgage lenders, brokers, correspondents and Servicers who collectively engage in the mortgage loan business. Such business is defined as "[t]he business of 1 advertising, causing to be advertised, soliciting, negotiating or arranging in the ordinary course of business or offering to make or making mortgage loans; or 2 servicing mortgage loans. A "mortgage servicer" is defined as "[a] person who engages in the mortgage loan business by directly or indirectly servicing a mortgage loan. Although the Amendment does not define indirect servicing, such practice might refer to the work of a subservicer, one who contracts with the Servicer to perform some or all of the loan servicing. Under the exemption to licensure, a licensed mortgage lender may i be a broker, or a correspondent lender without a separate broker or correspondent license or ii service mortgage loans it has originated, negotiated and owns without a separate mortgage servicer license. However, a person licensed only as a mortgage servicer may perform mortgage servicing for itself or others. Accordingly, a mortgage lender licensed as such in Pennsylvania must be separately licensed as a Servicer in order to service mortgage loans owned by others. Certain persons may perform mortgage servicing without a mortgage servicing license. First, an attorney at law who does not hold himself or herself out as a broker or originator is exempt from licensure unless the attorney is compensated by a broker, lender, correspondent, exempt person, originator or servicer or an agent of any of the foregoing. Second, a Servicer who services less than four mortgage loans in a calendar year is exempt from licensure. Third, a consumer discount company is exempt from licensure except that if it acts as a Servicer it will be subject to Subchapter C of the Mortgage Loan Licensing and Consumer Protection provisions of the Law "Restrictions and Requirements" and parts of Subchapter D related to administrative and licensure provisions of the Law. Fourth, employees and individuals supervised and controlled by a Servicer are exempt. Finally, persons licensed under the Money Transmission Business Licensing Law are exempt to the extent funds are transmitted from a mortgagor borrower in excess of the scheduled monthly minimum. New terms require a Servicer to respond in good faith when a mortgage loan is paid in full and when a lender is no longer obligated to make advances on an open-end mortgage loan which is paid in full. Under such circumstances the Servicer must in good faith 1 request the mortgage holder to release its lien on the residential real estate and deliver to the consumer good and sufficient documents to evidence the release; 2 request the mortgage holder lender to cancel any insurance in connection with the mortgage and refund any unearned premium; and 3 satisfy the duties of the mortgage holder in 1 and 2 if the holder has delegated those tasks to the Servicer. This is more restrictive than federal law which allows 45 days of delinquency to establish a single point of contact. A single point of contact means "[a]n individual or team of personnel, each of whom has the ability and authority to discuss mortgage loan mitigation options with a borrower on behalf of a mortgage servicer. Loss mitigation means alternatives to mortgage foreclosure offered by the owner, holder or assignee of a delinquent mortgage loan. The Department shall issue a Servicer license under the Restrictions and Requirements if the applicant: The Amendment establishes licensing fees for mortgage servicers. If the applicant is a mortgage servicer applicant it is not required to pay the fee for a mortgage originator license. The Amendment requires Servicers that maintain surety bonds under 7 Pa. Those reports are to include information regarding first or secondary mortgage loan business conducted by the Servicer as required by the Department. C relating to mortgage servicing , other than 12 CFR In light of mortgage industry criticism of the Bureau, the question arises whether and to what extent such federal regulations "CFPB Regulations" will survive. The Amendment contemplates the possibility that these CFPB Regulations could change or be repealed, and if they change, the Department "shall promulgate regulations making the appropriate incorporation. If the CFPB Regulations are deleted, "[t]he version of the Pennsylvania regulations in effect at the time of the alteration shall remain in effect for two years. During that two year period, "the [D]epartment shall promulgate replacement regulations. Accordingly, the Amendment creates two sets of regulations, one federal and one state, that could require Servicers to comply with possibly conflicting regulations. Further, the Amendment contemplates ongoing state regulation of Servicers if the federal government determines to no longer regulate the industry. That could benefit bank servicers which would be free of CFPB Regulations but non bank Servicers would still be subject to Department regulations promulgated under the Amendment. The Governor approved the Amendment on December 22, The remainder of the Amendment will take effect on the effective date of the regulations promulgated under 7 Pa. The Department is working on those Servicer regulations. The deadline for licensing applications is June Views expressed in this article do not necessarily reflect policy of the Mortgage Bankers Association, nor do they connote an MBA endorsement of a specific company, product or service. MBA Insights welcomes your submissions.

Chapter 5 : Code of Federal Regulations | Consumer Financial Protection Bureau

Some of the new mortgage rules will influence qualification requirements and the types of mortgages that borrowers get. The regulations, drawn up in by the Consumer Financial Protection.

Monitor financial markets for new risks to consumers Enforce laws that outlaw discrimination and other unfair treatment in consumer finance HUD â€” U. Department of Housing and Urban Development http: HUD is working to strengthen the housing market to bolster the economy and protect consumers; meet the need for quality affordable rental homes; utilize housing as a platform for improving quality of life; build inclusive and sustainable communities free from discrimination, and transform the way HUD does business. OCC â€” Office of the Comptroller of the Currency â€” Federal Government The OCC charters, regulates, and supervises all national banks and federal savings associations as well as federal branches and agencies of foreign banks. The OCC is an independent bureau of the U. Department of the Treasury. Mission â€” To ensure that national banks and federal savings associations operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations. FHA insures mortgages on single family and multifamily homes including manufactured homes and hospitals. It is the largest insurer of mortgages in the world, insuring over 34 million properties since its inception in FHA mortgage insurance provides lenders with protection against losses as the result of homeowners defaulting on their mortgage loans. Loans must meet certain requirements established by FHA to qualify for insurance. The new Rule includes a required, standardized Good Faith Estimate GFE to facilitate shopping among settlement service providers and to improve disclosure of settlement costs and interest rate related terms. The HUD-1 was improved to help consumers determine if their actual closing costs were within established tolerance requirements. With the exception of certain high-cost mortgage loans, TILA does not regulate the charges that may be imposed for consumer credit. It repealed part of the Glassâ€"Steagall Act of , removing barriers in the market among banking companies, securities companies and insurance companies that prohibited any one institution from acting as any combination of an investment bank, a commercial bank, and an insurance company. With the bipartisan passage of the Grammâ€"Leachâ€"Bliley Act, commercial banks, investment banks, securities firms, and insurance companies were allowed to consolidate. Furthermore, it failed to give to the SEC or any other financial regulatory agency the authority to regulate large investment bank holding companies. The act allows consumers to request and obtain a free credit report once every twelve months from each of the three nationwide consumer credit reporting companies Equifax, Experian and TransUnion. In cooperation with the Federal Trade Commission, the three major credit reporting agencies set up the website, AnnualCreditReport. The act also contains provisions to help reduce identity theft, such as the ability for individuals to place alerts on their credit histories if identity theft is suspected, or if deploying overseas in the military, thereby making fraudulent applications for credit more difficult. Further, it requires secure disposal of consumer information. The statutes of the Real Estate Settlement Procedures Act RESPA require the form be used as the standard real estate settlement form in all transactions in the United States which involve federally related mortgage loans. NPI â€” Non-public Personal Information Non-public information is simply information that is not known by the public and is protected from disclosure by federal and state law and regulations. Generally, non-public information is categorized into four main groups: NPI includes first name or first initial and last name coupled with any of the following:

Chapter 6 : The evolution of mortgage regulation - Council of Mortgage Lenders

mortgage products. The regulations therefore apply to all stages of a mortgage product's life, from first contact to enforcement or repayment. Regulated activities.

Chapter 7 : FRB: Regulation Z: Compliance Guide

DOWNLOAD PDF REGULATION OF MORTGAGES.

The interim final rule substantially duplicates the FTC's Mortgage Acts and Practicesâ€”Advertising Rule as the Bureau's new Regulation N, 12 CFR part , and the FTC's Mortgage Assistance Relief Services Rule as the Bureau's new Regulation O, 12 CFR part , making only certain non-substantive, technical, formatting, and stylistic changes.

Chapter 8 : Government policies and the subprime mortgage crisis - Wikipedia

Regulation Z prohibits certain practices relating to payments made to compensate mortgage brokers and other loan originators. The goal of the amendments is to protect consumers in the mortgage market from unfair practices involving compensation paid to loan originators.

Chapter 9 : Rulemaking | Consumer Financial Protection Bureau

The U.S. subprime mortgage crisis was a set of events and conditions that led to a financial crisis and subsequent recession that began in It was characterized by a rise in subprime mortgage delinquencies and foreclosures, and the resulting decline of securities backed by said mortgages.