



IMPLEMENTING THE 2016 MORTGAGE SERVICING RULE

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NAVIGANT



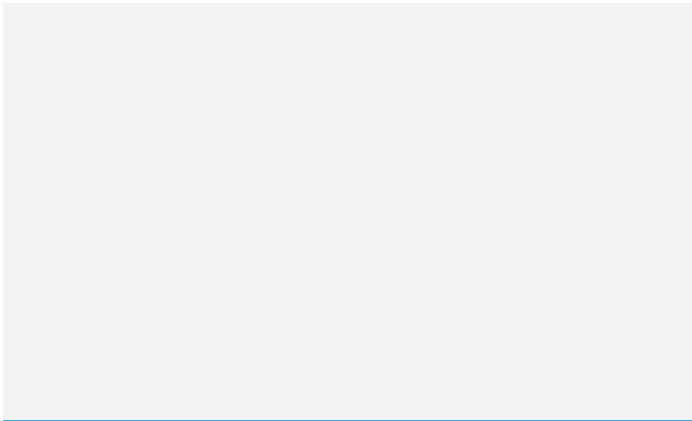
MILESTONES: 2016 MORTGAGE SERVICING FINAL RULE

August 4, 2016	CFPB issued amendments to servicing rules under Reg X and Reg Z
October 19, 2016	Final rule published in Federal Register
June 27, 2017	Non-binding policy guidance on early compliance
October 4, 2017	Proposed rule on timing of periodic statements and coupon books Interim final rule on timing of early intervention notices
October 19, 2017	Effective date #1
Nov 24, 2017	New CFPB acting director named
April 19, 2018	Effective date #2 (Successors in Interest, Periodic Statements – Consumer in Bankruptcy)

OPERATIONAL IMPACT: TIMING AND COSTS



April 19, 2018



- **Successors in Interest**
- **Periodic Statements – Consumer in Bankruptcy**

Oct 19, 2017

- Definition of Delinquency
- Requests for Information
- Force-Placed Insurance
- Prompt Payment Crediting
- Periodic Statements – Charged off Loans

- Early Intervention Written Notices
- Loss Mitigation

Lower



Higher

SUCCESSORS IN INTEREST



RULE SUMMARY

- Requires servicers to communicate with ***potential successors in interest*** about their requirements for confirming a successor in interest's identity and ownership interest in the property
 - Treat ***confirmed successors in interest*** as borrowers (Reg. X) and consumers (Reg. Z)
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IMPLEMENTATION CONSIDERATIONS

- Develop policies and procedures for confirming a successor in interest's identity and ownership interest in the property
- Respond to potential successors in interest with a description of documents required to confirm identity and ownership interest
- Respond to potential successors in interest upon receipt of documents about the person's status
- Develop policies and procedures for cases in which the transferor retains an ownership interest or there are multiple borrowers
- Implement ***notice and acknowledgment form*** to allow confirmed successors in interest to opt in to Mortgage Servicing Rule notices

PERIODIC STATEMENTS – CONSUMERS IN BANKRUPTCY



RULE SUMMARY

- Servicers must provide periodic statements to certain consumers in bankruptcy
- Modifies the content of periodic statements for certain consumers in bankruptcy, depending on the chapter



IMPLEMENTATION CONSIDERATIONS

- Modify systems to provide statements that show how payments are applied for consumers in bankruptcy, particularly those in chapter 13
 - May need to adopt special accounting practices for consumers with “cure and maintain” plans
 - May need to separately track payments made on pre-bankruptcy arrearages and regular periodic payments
- Modify systems to capture information such as which chapter of the Bankruptcy Code the consumer has filed under and whether the consumer intends to retain the home
- Implement opt-in and opt-out processes

PROPOSED RULE: PERIODIC STATEMENT TIMING



RULE SUMMARY

- When a servicer must transition to sending either modified periodic statements or to sending unmodified periodic statements servicer is exempt from the next periodic statement (single-statement exemption)
- Regardless of when in the billing cycle the triggering event occurs



IMPLEMENTATION CONSIDERATIONS

- Replaces the single-billing-cycle exemption and 14 day timeframe
- Should decrease burden incurred by industry participants
- Proposed Effective Date: April 19, 2018 (same as 2016 Mortgage Servicing Final Rule)



IMPLEMENTATION ACTIONS

- ✓ Review the regulation
- ✓ Develop a compliance plan
- ✓ Design business processes
- ✓ Develop business requirements and systems design
- ✓ Update written policies and procedures and compliance management system
- ✓ Modify or develop IT systems
- ✓ Test/audit systems and processes
- ✓ Train employees and third-party service providers



LOOKING AHEAD: CLUES ABOUT PRIORITIES

- Department of Treasury Recommendations (A Financial System That Creates Economic Opportunities, report from June 2017):
 - Place a ***moratorium on additional rulemaking*** in mortgage servicing while the industry updates its operations to comply with the existing regulations
 - Work with prudential regulators and state regulators to ***improve alignment*** where possible in both regulation and examinations
 - Focus more on ***regulatory coordination***, along with ***supervisory guidance and recommendations***, in lieu of overly prescriptive actions requiring specific remediation, such as matters requiring immediate attention



LOOKING AHEAD: CLUES ABOUT PRIORITIES

- State Attorneys General (Letter to President Trump, December 12, 2017): ***Vigorously enforce*** federal and state consumer protection laws
- CFPB Statement: “***Outdated and deficient servicing technology*** continues to pose considerable risk to consumers in the wider servicing market. These shortcomings are compounded by ***lack of proper training, testing, and auditing*** of technology-driven processes...” (CFPB Supervisory Highlights Mortgage Servicing Special Edition, June 2016)

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