



# ATTORNEY GENERAL BILL SCHUETTE

*Helping Michigan Homeowners*

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## 2012 Joint State-Federal Mortgage Servicing Settlement

### *Frequently Asked Questions*

#### **1. What is the settlement?**

A: Michigan Attorney General Bill Schuette and other participating state Attorneys General entered into this settlement with the five leading bank mortgage servicers. The settlement requires the bank mortgage servicers to provide the participating states, including Michigan, up to \$25 billion dollars in monetary sanctions and relief. In addition to the money relief, the settlement requires comprehensive reforms of mortgage loan serving.

#### **2. Which 5 Bank Mortgage Servicers are involved?**

A: This settlement applies to the following five banks/mortgage servicers:

1. Bank of America,
2. Citi,
3. Chase,
4. Wells Fargo, and
5. GMAC/Ally.

The state Attorneys General's negotiating committee, which negotiated this settlement, will work to negotiate similar settlements with other banks. It is expected that there will be additional settlements with other large mortgage servicers.

#### **3. What is a mortgage servicer and how do I know who services my loan?**

A: A mortgage servicer administers mortgage loans, including collecting and recording payments from borrowers. A servicer also handles loan defaults and foreclosures, and may offer loss mitigation programs to assist delinquent borrowers.

The company that you make your monthly mortgage payment to is your mortgage servicer. Your mortgage servicer may or may not be a lending institution and may or may not own your loan.

#### 4. How much money will the banks/mortgage servicers pay?

A: Under the settlement, the servicers will spend at least \$19 billion to provide the different forms of consumer relief.

#### 5. Where will the money go?

A: There are 4 different categories of monetary relief.

1. **State Payment:** Cash payments to states to address foreclosure related issues. The payment to Michigan will be \$97,209,465.00.
2. **Borrower Payments:** Separate from the cash payments to states, a national settlement administrator will distribute cash payments to borrowers who went through foreclosure from 2008-2011. It is estimated that \$89,801,787.64 will flow to Michigan residents. The exact eligibility criteria will be finalized later. Recipients will not be required to execute a release or otherwise forego claims that they could raise individually.
3. **Refinance Program:** Servicers will fund a refinancing program for borrowers who are current on their mortgage payments but who could benefit from lower current interest rates. This program is estimated to provide approximately \$83,655,641.00 in value to Michigan residents.
4. **Federal Menu Benefits:** A federal spend-down fund that will provide principal balance reductions, short sales, deeds in lieu of foreclosure, and other relief. This is valued at approximately \$515,111,411.60 for Michigan residents.

In total, the portion of the settlement payment that would flow to Michigan is estimated at \$785,758,305.24. The chart below shows these figures also.

State Payment	Borrower Payments *	Refinance Program*	Federal Menu Benefits*	TOTAL
\$97,209,465.00	\$89,801,787.64	\$83,635,641.00	\$515,111,411.60	\$785,758,305.24

\* Note: all numbers, except the state payment, are estimates.

#### 6. What will Michigan do with the State Payment?

A: Michigan Attorney General Bill Schuette is recommending that the Legislature create a specific fund to support 7 different activities:

1. Foreclosure Counseling for Homeowners - \$20 million
2. Foreclosure Rescue Scam Victim Restitution - \$10 million
3. Michigan Attorney General Home Protection Unit - \$6 million

4. Michigan Housing and Community Development Fund-\$9.7 million
5. Assistance for school children displaced by foreclosure - \$25 million
6. Assistance for Military Servicemembers - \$5 million
7. Educational Achievement Authority and Blight Remediation-\$21.5 million

**7. My mortgage is serviced by Bank of America, Citi, Chase, Wells Fargo or GMAC/Ally, how do I know if I can gain some relief from this settlement?**

A: Borrowers will not immediately know if they are eligible for relief. For loan modifications and refinance options, borrowers may be contacted directly by one of the five participating mortgage servicers. Even if you are not contacted, if your loan is serviced by one of the five settling banks, you are encouraged to contact your servicer to see if you are eligible. The five servicer contacts are below:

GMAC/Ally  
1-800-766-4622

Bank of America  
1-877-488-7814

Citigroup  
1-866-272-4749

JPMorgan Chase  
1-866-372-6901  
Monday-Thursday: 8:00 a.m.-12:00 a.m., Eastern Time  
Friday: 8:00 a.m.-12:00 a.m., Eastern Time  
Saturday: 8:00 a.m.-5:00 p.m., Eastern Time

Wells Fargo  
1-800-288-3212

In any event, borrowers may contact their mortgage servicer to obtain more information about specific loan modification programs and whether the borrower may be impacted by this settlement. More information will be made available as the settlement programs are implemented.

**8. When will eligible consumers receive the benefits from this settlement?**

A: The time frame is as follows:

- Over the 30 to 60 days after the settlement is entered (April 5, 2012), settlement negotiators will be selecting a professional third-party administrator to handle the logistics of the settlement and monitor compliance. The settlement was entered on April 5, 2012 in the United States District Court for the District of Columbia.

- Over the six to nine months after the settlement is entered (April 5, 2012), the settlement administrator, attorneys general and the mortgage servicers will work to identify homeowners eligible for the immediate cash payments, principal reductions and refinancing. Those eligible will receive letters from the settlement administrator.
- This settlement will be executed over the next three years. In an effort to ensure assistance is delivered to homeowners as soon as possible, there are provisions requiring at least 70% of benefits be distributed to affected homeowners within the first two years.

**9. I have already lost my home to foreclosure. Can I get any help?**

A: If your home was foreclosed upon from 2008-2011 and your mortgage was serviced by Bank of America, Citi, Chase, Wells Fargo or GMAC/Ally, you may be eligible for a cash payment. The amount of the payment will depend on how many people file claims, but it is expected to be around \$1,500 to \$2,000.

**10. How do I file a claim?**

A: A settlement administrator designated by the state Attorneys General will send claim forms to eligible persons. Borrowers will have to fill out the claim form and send it back to the settlement administrator. Borrowers who are concerned they will be hard to locate can also contact the Michigan Attorney General to provide their current address. This process will take time and it will be several months before claim forms are sent. Please check back to our website for updates.

**11. How do you know that the banks will do what they promised?**

A: A settlement monitor has been appointed and will be able to gather information and test whether the banks are living up to their promises. The settlement includes specific criteria to measure compliance and remedial steps for non-compliance.

**12. How does this settlement affect members of the military?**

A: The Servicemembers Civil Relief Act (SCRA) provides protections for active duty military servicemembers, including postponing or suspending certain civil obligations, such as mortgage payments and foreclosure. This settlement provides enhanced safeguards for military personnel that go beyond SCRA protections, including extending the window of protections for qualified servicemembers, and not requiring servicemembers to be delinquent to qualify for a short sale, loan modification, or other loss mitigation relief if the servicemember suffers financial hardship and is otherwise eligible for such loss mitigation.

### **13. What about those of us who keep making our mortgage payments?**

A: Borrowers who are current in their payments, but are “underwater” on their mortgages, may qualify for refinancing relief under the settlement. “Underwater” means a borrower owes more on the mortgage than the home is worth.

### **14. Why force banks to forgive large portions of peoples’ loans?**

A: The states and federal agencies established that the servicers have done wrong – through improper lending practices, improper foreclosures, etc. – and in response the banks have agreed to a settlement that helps many homeowners who have been hurt by misconduct in the marketplace.

Some banks have acknowledged that principal reduction can be an effective tool in stabilizing the housing market and have already forgiven portions of some loans. The idea is to keep people in their homes. The banks lose, on average, about \$60,000 on each foreclosure. It is a win-win proposition for the banks to give up some principal – instead of paying \$60,000 for each foreclosure – and allow people to remain in their homes. As a matter of pure economics, principal reduction is often better for the bank than the massive losses associated with foreclosure.

The huge number of foreclosures impacts all of us: our nest eggs erode, we may no longer borrow against our homes, and we can’t sell them when we need to. Principal reduction is one of the tools we’ve negotiated to help keep more people in their homes and help stabilize the housing market — which helps all of us. It’s true that principal forgiveness at this level is extraordinary. But so is the mortgage crisis, which affects families, our neighborhoods, and our economy. Big problems require big solutions.

### **15. Why are you releasing the banks from some claims?**

A: The release of claims, found in the settlement, relinquishes particular state and federal claims related to issues addressed by the settlement. The release is narrow and limited to mortgage servicing and origination claims. States that sign this settlement may still pursue other claims against the banks, such as securities and securitization claims. States could also sue financial institutions that are not part of the settlement.

States that opt not to sign the agreement are free to pursue their own legal actions. However, those states give up all the funds designated specifically for their state and its citizens who were foreclosure victims. Homeowners of those states also only qualify for a significantly reduced amount of loan modifications and other benefits being distributed as part of the settlement’s national programs.

The agreement does not affect any individual’s rights. A consumer may still bring an individual action, be a part of a class action, or seek further review/relief from the Office of the Comptroller of the Currency (OCC).

**16. Does this immunize banks from criminal prosecution?**

A: No. This is a civil, not a criminal, settlement, and this settlement does not prevent state or federal criminal prosecutions.

**17. How will this settlement protect consumers in the future?**

A: The banks have agreed to major reforms in how they service mortgage loans. These new servicing standards require lenders and servicers to adhere to a long list of rights for those facing foreclosure. For example, borrowers will have the right to see all of their loan documents to make sure any potential foreclosure is legal and will be given every opportunity to first modify their loan before facing foreclosure. Additionally, borrowers will have the right to deal with a reliable, single point of contact from whom to obtain information throughout the process. Lenders and servicers will be required to have an appropriate number of well-trained staff to promptly respond to distressed borrowers.

**18. Scammers pop up with most national settlements. How can I prevent myself from being scammed?**

A: Scammers are already at work trying to capitalize on the national mortgage settlement to access your personal information—or worse, your money. The Attorneys General have already received reports of scammers in Alabama calling borrowers claiming to be one of the major banks involved in this settlement and offering a cash payment to consumers if they simply provide the routing number to access their bank account. If you receive an unsolicited call from one of the major banks, you can identify a scam in several ways:

1. Does the caller identify themselves as representing your loan servicer? Or do they ask you to provide the name of your loan servicer? If they ask you for the name of your servicer, they may be a scammer.
2. Does the caller offer to provide your personal information to assist you in identifying your account? Or do they ask you to provide that? If the caller is from your loan servicer, they will be able to tell YOU your personal information because they will have it. You should never provide your personal information (including bank account numbers, social security numbers, etc.) to an unsolicited caller—no matter what they promise you.
3. Does the caller offer to speed your settlement relief for a fee? They are definitely a scammer! Neither the banks nor the Attorneys General will charge a fee to speed your settlement.

4. If you think the caller may be legitimate, ask for their contact information, tell them you are going to call your bank's hotline (located above) and confirm, then call them back. Chances are if they're a scammer, they won't want you to check on them and they won't provide their contact information.

**19. How do I find out more about the settlement?**

A: Visit the National foreclosure Settlement Website at [www.NationalForeclosureSettlement.com](http://www.NationalForeclosureSettlement.com). The "Help for Homeowners" link on the top of home page is particularly helpful.