

Frequently Asked Questions

Attorney General Bill Schuette is working hard to ensure Michigan citizens have all the information about this important settlement. Please check back to this website, as updates will be added once more information becomes available.

The current version of the Frequently Asked Questions was last updated on June 4, 2013.

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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 to address allegations of faulty foreclosure processes and poor servicing of mortgages that harmed Michigan homeowners. The settlement requires the bank mortgage servicers to provide the participating states, including Michigan, up to \$25 billion dollars in monetary sanctions and relief. Michigan residents are expected to receive approximately \$780,000 million in benefits, including a \$97 million payment directly to the State of Michigan. In addition to the monetary relief, the settlement requires comprehensive reforms of mortgage loan servicing. These reforms will improve customer service for borrowers on a permanent basis. The settlement is the second-largest financial recovery ever received for affected citizens by Attorneys General, with the 1998 Master Tobacco Settlement being the largest.

2. Which Five 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.

3. Where will the settlement money go?

A: There are 4 different categories of monetary relief:

1. **State Payments:** Cash payments to states to address foreclosure related issues. The payment to Michigan was \$97,209,465.
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. Claim forms were sent to eligible borrowers, the deadline for filing claims has past, and payments of approximately \$1,480.00 per eligible loan begin mailing June 10, 2013. **Recipients will not be required to execute a release or otherwise forego claims against servicers that they could raise individually through private litigation.**

3. Refinance Program: Servicers have implemented a refinancing program for borrowers who are current on their mortgage payments but who could benefit from lower current interest rates. This program was created to benefit homeowners who are "under water" and otherwise unable to refinance to obtain lower interest rates on their loan. This program is estimated to provide approximately \$83,655,641 in value to Michigan residents.
4. Federal Menu Benefits: A federal spend-down fund will allow the servicers to offer principal balance reductions, short sales, deeds in lieu of foreclosure, and other relief to struggling Michigan homeowners. This is valued at approximately \$515 million for Michigan residents.

In total, the portion of the settlement payment flowing to Michigan is estimated at \$803,209,984.00. The chart below shows these figures also.

State Payment	Borrower Payments	Refinance Program*	Federal Menu Benefits*	TOTAL*
\$97,209,465	\$107,253,467	\$83,635,641.00	\$515,111,411	\$803,209,984

* Note: Numbers marked with asterisks are estimates.

4. What will Michigan do with the State Payment?

A: Michigan Attorney General Bill Schuette recommended that the Legislature create the Homeowner Protection Fund to ensure Michigan families, children, and veterans affected by the foreclosure crisis receive the maximum benefit from the settlement funds. Pursuant to that recommendation, the Michigan Legislature created the fund and directed the monies to the following nine initiatives:

- **Foreclosure Rescue Scam Victim Restitution - \$7.5 million.** Many Michigan residents have fallen prey to foreclosure rescue scam artists who offered to help citizens save their homes. This fund will provide restitution payments for victims of foreclosure scams. Eligibility criteria to determine qualifying cases are being finalized.
- **Assistance for Veterans - \$5 million.** The men and women who served our country also have been affected by poor mortgage servicing and foreclosure practices. These funds will provide targeted relief for military servicemembers.
- **Michigan Attorney General Home Protection Unit - \$6 million.** These funds have allowed Schuette's office to ramp up investigation and prosecution of foreclosure-related crimes. This unit has brought charges in 28 cases since 2009 and there are approximately 66 cases currently under investigation. Funds are being used for additional investigators and prosecutors to combat foreclosure-related crimes.

- **Blight Elimination - \$25 million.** These funds are being dedicated to blight elimination efforts throughout Michigan. \$10 million is allocated for blight elimination in the city of Detroit and \$15 million is allocated for use throughout the rest of the state. Given that blighted property contributes to an environment conducive to crime, targeting blight elimination in these areas will further efforts to reduce crime.
- **Foreclosure Counseling for Homeowners - \$20 million.** The Michigan State Housing and Development Authority (MSHDA) and Michigan State University Extension Offices are using these funds to expand their much-needed, free homeowner counseling services, including legal aid, for citizens seeking to avoid foreclosure.
- **Housing and Community Development Programs - \$3.7 million.** These funds are allocated to the Michigan Housing and Community Development Fund which develops and coordinates public and private resources to meet the affordable housing needs of low income households and revitalizing downtown areas and neighborhoods in Michigan.
- **Grants to Help Homeowners Refinance - \$5 million.** These funds are permitting the Michigan State Housing Development Authority (MSHDA) to provide grants to help pay the closing costs of citizens who utilize the Home Affordable Refinance Program (HARP). Eligible citizens receive assistance paying closing costs associated with refinancing their home.
- **Assistance to Homebuyers - \$15 million.** These funds assisted both servicemembers and non-service members by providing grants to offset the purchase price of a home. Servicemembers were eligible for grants up to \$5,000 and non-service members up to \$3,000. At this point MSHDA has stopped accepting applications as these funds have been exhausted.
- **Education Achievement Authority - \$10 million.** These funds will be used by the Education Achievement Authority (EAA) to help improve performance of Michigan's lowest performing schools.

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

A: The time frame is as follows:

- A settlement administrator has been hired to oversee the claims administration process for the borrower payments. Payments of approximately \$1,480.00 per eligible loan begin mailing June 10, 2013.
- The remaining portions of this settlement will be executed over the next three years.

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

A: Claim forms were sent to consumers who were eligible for borrower payments under this settlement and responses were due January 18, 2013. Payments of approximately \$1,480 went out beginning June 10, 2013.

7. How many people in Michigan received payments?

Payments were made based on eligible loans. In total, 72,263 valid claims were filed in relation to properties located in Michigan. The total dollar amount for these claims was \$107,253,467. On a nationwide basis, there were 962,278 valid claims filed. The total number of checks being mailed is slightly higher, due to the fact that some loans had more than one borrower, who subsequently divorced, separated, etc.

8. Why are there going to be additional claim forms sent out to some borrowers?

In the midst of the claims administration process, it was discovered that 2 mortgage servicers mistakenly omitted certain borrowers who did in fact meet the eligibility criteria. Rather than delay payment for everyone else, the payment process has gone forward for all other eligible claimants. However, claim forms will go out to eligible borrowers who were not included in the previous notice of eligibility.

9. I submitted my claim but have not heard anything back? What happened to my claim?

Anyone who submitted a claim for to the claims administrator, Rust Consulting, will receive a response from Rust. You can also contact Rust Consulting directly at 1-866-430-8358. Additionally, for a small number of claims, the claimant's social security number did not match the IRS database, and these claims will need additional processing.

10. 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 special programs to assist borrowers who have fallen behind on their loan payments.

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.

11. 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: 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 a loan modification or refinance is possible. The five servicers have set up toll-free hotlines specifically to take questions about this settlement:

GMAC/Ally	Bank of America	Citigroup	Wells Fargo	JPMorgan Chase
1-800-766-4622	1-877-488-7814	1-866-272-4749	1-800-288-3212	1-866-372-6901

Attorney General Schuette also encourages citizens to contact a free, state-certified housing counselor through the Michigan State Housing Development Authority to seek additional assistance. See www.michigan.gov/mshda or call their toll-free hotline, 1-866-946-7432.

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

A: A settlement monitor has been appointed who has been gathering information and testing whether the banks are living up to their promises. The settlement includes specific criteria to measure compliance and remedial steps for non-compliance. Information about the monitor & the ongoing compliance review is available on the monitor's website at www.mortgageoversight.com

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.

Beyond that, the mortgage servicers involved in this settlement broke the law, the conduct harmed borrowers, and this settlement addresses that conduct. If the mortgage servicers followed the law, many foreclosures likely could have been prevented. Foreclosure has a profound impact beyond the borrower and the creditor. A foreclosure affects homeowners, families, neighborhoods, communities, the housing market, and our overall economy.

Michigan citizens have witnessed the negative impacts of the foreclosure crisis firsthand, with declining home values, abandoned properties, and displaced citizens. When a house is subject to foreclosure, it creates a ripple effect that lowers the value of nearby homes and other properties. In 2009, the Center for Responsible Lending projected that homeowners living near foreclosed properties, on average, would lose \$7,200 in property value, and projected a four-year increase in losses to \$20,300 per household.

Foreclosures contribute to unstable family and social environments. They increase stress on homeowners, their families, and their neighbors. These deteriorating, neglected properties and neighboring property value losses create neighborhood blight, cut a community's tax base, and can contribute to crime. Displaced homeowners put other stresses on communities, including the need for shelter and social services. Foreclosures affect everyone and affect our economy even those who play by the rules and pay their monthly mortgage on time.

14. 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.

15. Why force banks to forgive large portions of people's loans?

A: The states and federal agencies established that the servicers have done wrong through improper lending practices, improper foreclosures, and additional practices that harmed consumers, 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 do so. 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.

16. 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 signed 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 opted not to sign the agreement are free to pursue their own legal actions. However, those states gave 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 through private litigation, be a part of a class action, or seek further review/relief from the federal Office of the Comptroller of the Currency (OCC).

17. Does this settlement 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.*

In November 2012, Attorney General Schuette charged Lorraine Brown, former president of mortgage document processor DocX, with racketeering for authorizing the fraudulent signing of

mortgage documents filed in Michigan. In February 2013, Brown pled guilty to that racketeering charge; a 20 year felony. Brown will be sentenced in May, 2013.

In addition to this criminal charge against Brown, in January 2013, Schuette reached a \$2.5 million civil settlement with Lender Processing Services, Inc., the parent company of the now defunct DocX. In addition, affected consumers will have their documents corrected by LPS if necessary.

Schuette reserves the right to file criminal charges against anyone involved in the foreclosure crisis who broke the law. Current or former employees of companies connected to the mortgage industry with knowledge or suspicion of criminal conduct in Michigan are encouraged to contact Attorney General Schuette's Corporate Oversight Division at 1-517-373-1160.

18. 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. The national settlement monitor and Attorney General Schuette will be aggressive in ensuring mortgage servicers provide homeowners these rights.

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

A: Continue to check Attorney General Schuette's website for updates as they become available: www.michigan.gov/mortgagesettlement.

You can also find more information on the National Foreclosure Settlement website at www.NationalForeclosureSettlement.com.

The Settlement monitor has also issued a number of reports, which are available at www.mortgageoversight.com.

20. 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. There have already been 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 someone claiming to represent one of the mortgage servicers, 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 up your settlement relief for a fee? They are definitely a scammer! Neither the banks nor Attorney General Schuette will ever charge a fee to "speed up" your settlement relief.
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.
5. If you believe you have been contacted by a scammer, please file an online complaint with Attorney General Schuette's Consumer Protection Division. You can do this online at www.michigan.gov/ag by clicking "Complaints."

For more information about protecting yourself from settlement scams, see Attorney General Schuette's complete [Consumer Alert](#).