NAR Information Brief

National Mortgage Settlement and REALTORS®: 5 Quick Takeaways

On Monday, March 12, 2012, the federal government released details of the $25 billion dollar national mortgage settlement stemming from improper foreclosures and other deceptive practices in the origination and servicing of mortgages. The agreement with Bank of America Corporation, JPMorgan Chase & Co., Wells Fargo & Company, Citigroup Inc. and Ally Financial Inc. (formerly GMAC) is designed to provide eligible homeowners with relief as well as prevent future abuses. Along with billions of dollars of relief for homeowners, the servicers are required to implement across the board servicing standards meant to improve borrower communication and provide servicing consistency among five of the largest servicers.

NAR has advocated for many of the servicing standards addressed in the settlement. These standards will help keep families in their homes and, if that is not possible, will assist in streamlining the short sale and other loss mitigation processes.

Here are five initial takeaways from the settlement that will impact real estate transactions:

1. Short Sale Timeline – The settlement contains short sale standards that are similar to the Treasury Department's Home Affordable Foreclosure Alternative, or HAFA, program. A number of these standards will improve the short sale process including making short sale requirements publically available, development of co-op programs to evaluate short sales prior to marketing the home, and the implementation of a 30 day response requirement after receipt of all required information and third party consents.

2. No Dual Tracking – As part of the settlement, the five servicers will no longer be able to proceed with a foreclosure sale if a short sale or deed-in-lieu of foreclosure has been approved by all parties (first lien investor, junior lien holder and mortgage insurer, as applicable), and proof of funds or financing has been provided to the servicer. Servicers will also face strict foreclosure referral guidelines if borrowers have requested a loan modification.

3. Single Point of Contact – NAR has long called on servicers to establish a single point of contact for borrowers. This provision will not only assist in maintaining consistency and coordination of loss mitigation options, but will reduce the amount of time agents and brokers spend discussing individual short sale files with new negotiators.

4. Establishment of Loan Portal – Though processes have recently improved, many members report that lost documents requiring multiple submissions continue to cause delays. The five servicers have agreed to consolidate information for borrowers by developing online loan portals that will provide borrowers with access to information, eligibility factors for loss mitigation programs, and inform borrowers of required documentation that is missing.

5. Strong Enforcement Mechanism – The success of a number of well-intentioned programs has been hampered by voluntary servicer participation and a seemingly lack of compliance oversight. The five national banks party to the settlement will be required to regularly report compliance to an independent, outside monitor that reports to state attorneys general. State attorneys general and the U.S. Department of Justice can seek redress if the banks don't follow the settlement terms.

The servicing standards and relief requirements will be implemented over the next several months and will be prioritized based on the importance to borrowers and difficulty of implementation. You can find out more information on the settlement by visiting www.nationalmortgagesettlement.com/faq

If you have more questions regarding specific details on borrower relief, servicing standards, and bank oversight, contact your state attorney general by following the link below www.nationalmortgagesettlement.com/states