New Mortgage Servicing Rules in 2014

February 6, 2014 - Anyone who has worked in the real estate industry for any period of time has heard a variety of horror stories associated with mortgage servicing companies. Things like people in the middle of a short sale finding out that their home has been foreclosed on even though the house was in escrow. Or when a homeowners mortgage is sold to a new servicer but the homeowner isn't notified that their mortgage payments need to be sent to a new addressâ€¦ resulting in late fees and credit report issues. As of January 1, 2014 a new set of rules regarding mortgage servicing went into effect to prevent these kinds of issues. And just about anyone who is a homeowner with a mortgage needs to be aware of them.

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The new rules were implemented by the CFPB. They give lenders a set of guidelines that must be complied with. If they don't, then the lenders can face some rather harsh disciplinary action. The rules include the following:

Billing information must be provided in writing - Lenders are now required to provide a statement every month which includes the amount owed, the amount of the payment that will be applied to the loan principle and shows both interest and escrow charges. They also have to show your prior payments and how they were applied and provide accurate contact information for your servicer. Lenders can get around the requirement to provide a monthly statement on fixed rate mortgages if they provide a coupon book annually. The coupons are required to show most of the information mentioned above, including accurate contact information.

Provide at least two month's notice if your monthly payment is about to change - This point applies to adjustable rate mortgages (ARMs) and it applies every time your monthly payments are scheduled to change with the exception of the first time they change. In that case, lenders are now required to provide seven to eight month's notice along with an estimate of what your new payments will be.

Credit your payments on the day they are received - This applies to full payments. In the event you provide a partial payment, the lender may hold it in a separate account until they receive enough money from you to credit one full month's payment.

Limit charges for insurance - Lenders can't force you to purchase insurance you don't need. Furthermore, they can't overcharge you for force-placed insurance (insurance that they purchase if you let your homeowners insurance policy lapse). Additionally, they must provide you with at least 45 days notice before charging you for force-placed insurance.

The new rules also place a variety of requirements on servicers for resolving customer complaints, responding to work-out and loan modification requests, and for beginning and completing foreclosures.

The CFPB has released a consumer guide on the new rules that is available here for download. Anyone who is having a mortgage issue or considering a new loan will be well served to become familiar with this document first.
byJim Malmberg
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