MCRC The Voice For Maryland Consumers
MARYLAND CONSUMER RIGHTS COALITION
1209 North Calvert Street Baltimore, MD 21202 410.624.8980 www.marylandconsumers.org

National Mortgage Settlement Analysis
By Marceline White

On August 29, the Office of Mortgage Settlement Oversight released a report describing the progress that the five banks that are part of the national mortgage settlement have made on implementing reforms and helping homeowners since the settlement was signed. Ally Bank, Bank of America, Citi, Chase, and Wells Fargo reached the settlement with 49 state attorneys general last February and the agreement went into effect when it was signed in U.S. District Court on April 5, 2012.

The preliminary report provides a snapshot of how banks have improved their customer services for homeowners seeking to save their homes and of how many homeowners have been helped by the five big banks to date.

To date, banks have implemented a little more than 1/6 of the new standards that they agreed to in the settlement. They are scheduled to have all 304 new servicing items in place by October 2, 2013.[1]

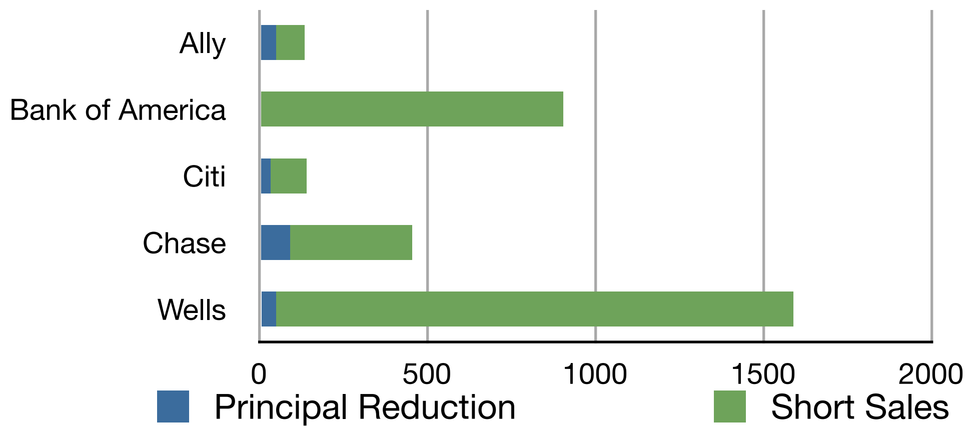
Number of Marylanders Helped

More than 2,800 Maryland families have been helped by the settlement to date with the relief averaging more than $79,000 per family. Overall, Maryland families have received $224,413,625 worth of relief in the first five months of the settlement.

While the families who benefited from the settlement are fortunate, thousands of other Maryland families still await assistance and relief from these and other banks. In the same time period that 2,800 families received assistance from the settlement, another 79,113 families received notice that they are at risk of losing their homes. In other words, the number of families helped by the settlement while

[1] "First Take: Progress Report from the Monitor of the National Mortgage Settlement"

Chart 1. Principal Reduction versus Short Sales



laudable -- falls far short of the number of Marylanders who need assistance to retain their homes or leave their homes in a dignified way.

Principal Reductions vs. Short Sales

The banks have made considerable progress in providing short sales to beleaguered homeowners but scant progress in providing affordable and sustainable loan modifications to struggling families -- many of whom were sold high-cost complicated and exotic loans. Many homeowners view short sales as preferable to foreclosure but families still lose their homes and communities their neighbors. Short sales comprise 54% of the relief offered to Maryland families to date while loan modifications in which the principal is reduced are 0.8% of the assistance offered to date (see Chart 1).

There are additional trial offers that have been approved or are in progress that are counted separately from the completed offers and are not included in this analysis.

Chase has offered the greatest number of principal-reduction loan modifications to date. The amount of relief has varied from bank to bank, with Ally averaging $134,303 in principal write-downs andWells averaging $69,838. Overall, the value of the principal-reduction loan modifications for struggling homeowners from the five banks involved in the settlement averaged $104, 536.

These reductions are certainly meaningful and this relief is positive news for homeowners. Unfortunately, with principal reductions going to less than 1 percent of the homeowners who have won relief under the settlement, there are still far too few of these loan modifications given the number of homeowners underwater in Maryland.

The banks that are part of the settlement own some of the loans they service while they simply service -- collect payments and act as an intermediary -- other loans. Wells Fargo owns more of the mortgages (22 percent) that may go into foreclosure than any other bank.

When a bank owns a loan, it has more ability to determine whether to modify it than it does if it simply services the loan for another owner. Arguably, this means that Marylanders should expect Wells Fargo to have a higher number of loan modifications than the other four banks. To date, this isn't the case --Wells Fargo has completed just 47 principal-reduction loan modifications. Chase leads all five banks with 89 loan modifications completed.

Fannie Mae owns 15% of mortgages that are delinquent in Maryland. Unfortunately, homeowners who have Fannie Mae or Freddie Mac loans do not benefit from the settlement at all -- even if one of the five banks services the loan. This is because Edward DeMarco, the head of the Federal Housing Finance Agency (FHFA) that oversees Fannie and Freddie, does not support principal reductions.

Maryland homeowners and policymakers need more and better information about how the national mortgage settlement is being implemented. The analyses of notices of foreclosures published by the state of Maryland have demonstrated that certain counties have been particularly hard hit by the housing crisis. The progress reports from the banks should, at the very least, report on the number of homeowners helped by county so that we can all see whether relief and assistance are reaching every county in the state.

Finally, there needs to be support for research across states to assess the impact of the settlement for homeowners nationwide, to increase state advocacy groups' ability to comment on regulations that impact fair housing and to consistently advocate on behalf of struggling homeowners across the nation.

MCRC is calling for the following changes to improve the outcomes for working families in Maryland.

Recommendations

- President Obama should make a recess appointment to replace FHFA Director DeMarco with a director who supports reasonable principal-reduction loan modifications.
- Joseph Smith, the Monitor of the National Mortgage Settlement should request that banks disaggregate their results by zipcode or county for each state. This request should be made of the five banks in the current settlement and should be required of all banks that may settle with state AGs in the future.
- Maryland's Commissioner of Financial Regulation and Attorney General should also request that the banks provide more detailed zipcode- or county-level data about consumer relief. This request should be made of the five banks in the current settlement. The Attorney General and Commissioner of Financial Regulation should require this of all banks that may be involved in similar future settlements.
- Wells Fargo should focus on providing principal-reduction loan modifications for the loans it owns (22% of the delinquent loans in Maryland).
- All five banks should dramatically increase their principal-reduction loan modifications to at least 25% of the consumer relief they have offered under the settlement by the time the next progress report is issued on Nov. 14.
- The Maryland Attorney General should support the establishment of a new group to coordinate the analysis of the settlement's impact across states, increase the technical capacity of nonprofits to engage in discussions of rules and regulations related to fair housing, mortgages, and foreclosures, and consistently advocate for fair and affordable housing at the national and state level.