

## Joint State-Federal Mortgage Servicing Settlement FAQ

### Q: Is Wisconsin part of a national mortgage settlement?

A: Yes. Wisconsin joined a landmark \$25 billion joint federal-state agreement with the nation's five largest mortgage servicers over foreclosure abuses and fraud, and unacceptable nationwide mortgage servicing practices. The agreement settles state and federal investigations finding that the country's five largest loan servicers routinely signed foreclosure-related documents outside the presence of a notary public and without really knowing whether the facts they contained were correct. These practices violate the law. The settlement provides benefits to borrowers whose loans are owned by the settling banks as well as to many of the borrowers whose loans they service.

### Q: How has the mortgage crises affected Wisconsin?

In 2010, lenders filed foreclosures on 28,453 Wisconsin homes. This is a 340% increase since 2000 when 6,407 foreclosures were recorded. For every 1% increase in unemployment in Wisconsin, the foreclosure rate rises 7-11%. The highest percentage of foreclosures in Wisconsin are concentrated in Milwaukee County with almost 1,700 bank owned foreclosed properties, and just over 6,000 open foreclosure filings. Many Wisconsin homeowners are at risk of foreclosure because they are behind on payments or current on payments but "underwater" (meaning the mortgage exceeds the value of the home). An estimated 22% of homeowners are underwater.

This settlement will impact people throughout the state. Approximately 60% of homeowners are serviced by the five banks participating in this settlement. The settlement will provide relief to those who were victims of foreclosure abuse, and stem the tide of ongoing foreclosures by offering forbearance, refinancing and write-down solutions for homeowners who are at risk of foreclosure.

For more information about foreclosure in Wisconsin, visit:

<http://www.responsiblelending.org/mortgage-lending/tools-resources/fast-facts.html>  
<http://fyi.uwex.edu/housing/2011/02/23/2010-wisconsin-foreclosure-data-now-available-state-foreclosures-remain-steady-from-2009-to-2010/>

### Q: How can I find out if I am eligible for this settlement?

A: Under the terms of the settlement, the bank should contact you if you are eligible. Banks will be conducting a vigorous search to identify eligible borrowers and ***this may take six to nine months***. Because of the complexity of the mortgage market and this agreement, which will be performed over a three-year period, borrowers will not immediately know if they are eligible for relief.

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:

- Bank of America: 877-488-7814
- Citi: 866-272-4749
- JPMorgan Chase: 866-372-6901
- Ally (GMAC): 800-766-4622
- Wells Fargo: 800-288-3212

You may also find information at:

[www.nationalmortgagesettlement.com](http://www.nationalmortgagesettlement.com)

**Q: What is a mortgage servicer and how do I know who services my loan?**

A: The company that you make your monthly payment to is your mortgage servicer. 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. Your mortgage servicer may or may not be a lending institution and may or may not own your loan. Many of the loans administered by servicers are owned by third-party investors.

This settlement involves the nation's five largest mortgage servicers, including Ally (GMAC), Bank of America, Citi, JPMorgan Chase and Wells Fargo.

Loans owned by Fannie Mae or Freddie Mac are not impacted by this settlement. You may visit the following websites to learn if your loan is owned by either Fannie Mae or Freddie Mac:

- [www.fanniemae.com/homeaffordable](http://www.fanniemae.com/homeaffordable)
- [www.freddiemac.com/avoidforeclosure](http://www.freddiemac.com/avoidforeclosure)

**Q: When will I get relief from this settlement?**

A: The settlement will be executed over the next three years. Banks will identify eligible borrowers and this may take six to nine months. Once participants are identified, it may take several months to receive relief. Rest assured, however, that the banks' performance will be monitored by an external monitoring committee. One important metric that will be measured is timeliness.

**Q: How does this settlement hold the banks accountable?**

A: This is a settlement that primarily addresses the banks' servicing of loans, including their handling of foreclosures. One of the primary areas of attention was the practice known as "robo-signing" where the banks submitted foreclosure documents that were not properly reviewed or notarized. This settlement holds the banks accountable for

their servicing violations through substantial financial penalties and extensive consumer relief.

This is the second largest civil settlement ever obtained by the state attorneys general. It's second only to the 1998 tobacco settlement that has spread payments to the states over 25 years. The settlement will cost the nation's five largest mortgage servicers, which control about 60 percent of the mortgage servicing market, an estimated \$25 to \$32 billion.

The settlement will require the banks to accomplish a massive undertaking – changing their broken system of servicing loans into one that is functional. The banks will reduce the principal on many of their loans – something that they have resisted for years – to allow homeowners to keep their homes. They will also refinance loans for “underwater” borrowers who have been unable to refinance due to negative equity. They will pay billions of dollars to the states, and, most importantly, commit billions more to consumers.

The banks will be subject to a federal court order enforceable by a federal judge. In addition, a special independent monitor will have the authority to oversee the banks and require their compliance. Banks will pay penalties if they fail to meet the standards agreed upon in the settlement. Also, federal agencies and state attorneys general can enforce compliance if there are violations.

The agreement holds the banks accountable for their wrongdoing on robo-signing and mortgage servicing. This settlement does not seek to hold them responsible for all their wrongs over the past five years.

The agreement and its release preserve legal options for others to pursue. Governmental entities and private parties are aggressively pursuing securities cases against the banks. A joint federal-state task force has been formed to investigate and prosecute those responsible for the collapse of the mortgage lending and investment markets.

**Q: How can we be assured that the banks will comply with the new servicing standards?**

A: This settlement is backed by a federal court order. State attorneys general and the U.S. Department of Justice can seek redress if the banks don't follow the settlement terms.

The settlement also includes an independent monitor. The monitor, who will work from a strict set of objective measuring standards, will oversee the carrying out of this agreement and will report to the states and federal agencies on the banks' compliance. There are significant penalties if the banks violate the court judgment. A court ordered

settlement is very different from the voluntary, foreclosure prevention efforts that have been tried to date.

**Q: Did you conduct an investigation?**

A: Yes, Wisconsin participated in a joint multistate investigation with other state attorneys general. The robo-signing investigation began in October of 2010, as an investigation into the alleged false affidavits submitted in foreclosure proceedings. Its scope soon broadened to encompass a long list of mortgage servicing issues, such as lost paperwork, and long delays and missed deadlines for loan modifications. Long before they announced their investigation, attorneys general and state banking regulators across the country fielded thousands of mortgage servicing complaints. Many states took part in mortgage-related working groups, launched foreclosure prevention efforts, and took action against subprime and predatory lenders. Attorneys general have probably had more front-line experience with mortgage servicing than any other governmental entity.

After the states began their investigation in this case, they partnered with the U.S. Justice Department, the Treasury Department, and the Department of Housing and Urban Development. Federal agencies provided the joint state-federal legal team with strong and detailed evidence concerning robo-signing and other servicing abuses. The state attorneys general also partnered with state banking commissioners who conducted thorough examinations of mortgage servicers under their jurisdiction. The level of cooperation among the states and between the states and federal government was unprecedented, and gave the joint state-federal negotiating team substantial leverage in this extraordinary settlement.

**Q: Will this settlement fix the entire mortgage industry breakdown?**

A: No. This is a mortgage servicing settlement that addresses only a portion of the mortgage lending system. However, the settlement's tough, new mortgage servicing standards will have a widespread impact on future mortgage loan servicing.

States and federal agencies that sign onto the agreement are not restricted from investigating and pursuing many other mortgage-related issues, including securities-related cases, criminal cases, and other matters connected to the mortgage crisis.

On January 27, 2012, U.S. Attorney General Eric Holder along with Housing and Urban Development (HUD) Secretary Shaun Donovan, Securities and Exchange Commission (SEC) Director of Enforcement Robert Khuzami and New York Attorney General Eric Schneiderman announced the formation of the Residential Mortgage-Backed Securities Working Group. The working group will investigate those responsible for misconduct contributing to the financial crisis through the pooling and sale of residential mortgage-backed securities.

2/09/2012

**Q: Why don't you sue the banks and try to get even more money?**

A: Litigation takes time, it carries substantial risks, and it expends significant resources. While legal cases drag on, homeowners in desperate need of relief are left to watch and wait for an uncertain outcome.

Millions more homeowners will likely lose their homes long before the court battles end. The outcomes of litigation, win or lose, are anything but certain. Even if the cases were successful, it is unlikely that the recovery would exceed \$25 billion and produce the major servicing reforms obtained in this settlement.

And a money judgment could not realistically include principal reduction requirements, refinancing for underwater borrowers, and many of the other significant components of this agreement.

**Q: A majority of mortgages are unaffected by this settlement. When will you work to obtain relief for the vast majority of homeowners?**

A: This settlement primarily affects mortgages that are owned and held by the nation's largest bank servicers. Those homeowners may receive benefits such as modifications, principal reductions or direct payments from lenders.

Two government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, control a majority of the nation's mortgage loans. GSE loans are not eligible for parts of this settlement because of positions their regulator, FHFA, has taken.

However, homeowners with GSE-controlled mortgages who won't directly benefit from settlement-related programs – that's most of us – will still see benefits through dropping foreclosures, stabilizing home values and significant new mortgage servicing standards and consumer protections.

This settlement, in addition to recent federal efforts to modify Freddie and Fannie loans, means that the majority of distressed borrowers might qualify for some level of help.

In Wisconsin several organizations are committed to helping distressed homeowners. If you are would like a referral to a HUD certified counselor, visit <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>. You may also contact the Wisconsin DOJ at (800)998-0700 or (608)266-1852 or at [consumerprotection@doj.state.wi.us](mailto:consumerprotection@doj.state.wi.us) for a referral.

**Q: The settlement includes a "Direct Payment Settlement Amount" to the State of Wisconsin. How will this money be used?**

A: The money will be used in accordance with Section 1(b)(i) of Exhibit B to the Consent Judgment, which is the provision that governs the use of these funds. Among other uses, it is anticipated that money will be allocated for: (a) investigation and prosecution of mortgage fraud, financial crimes, and violations of consumer protection laws; (b) law enforcement and prosecutor training in the investigation and prosecution of mortgage fraud, financial crimes, and violations of consumer protection laws; (c) outreach and education for borrowers and homeowners; (d) compensating the State for loss and damage resulting from the mortgage foreclosure crisis; and (e) foreclosure mediation programs.

**Q: Why is a portion of the settlement money being allocated to the State's general fund?**

A: The foreclosure crisis harmed more than just the people who lost their homes. While foreclosed homeowners suffered more than others, the foreclosure crisis also harmed other homeowners, neighborhoods, municipalities and the State itself. When homes are foreclosed, it can devalue other properties, create vacant homes that became dangerous public safety risks, decrease local tax bases, and increase the need for social service and government relief. The foreclosure crisis played a key role in the economic downturn in recent years and this downturn that contributed to the current budget issues facing the State.

The settlement allocates \$140 million to resolve Wisconsin's claims. Only 18% of this amount has been allocated for the State's general fund. The legislature will decide how this and other state revenues should be used. However, the money may help avoid tax increases, provide continued support for programs that serve the needy, support the type of economic development that will create jobs, advance law enforcement efforts direct at mortgage fraud and other financial crimes, and avoid layoffs of public employees. The remaining 82% of the settlement money—approximately \$115 million-- is for specific programs that will provide relief to foreclosed homeowners and those who are struggling with mortgage debt.

Finally, the settlement negotiations recognized that States, as well as individuals, were harmed by the foreclosure crisis and it was contemplated from early on that a portion of the funds might be allocated to a State's general fund. The final amount reflects this element of damage.

**Q: How was the amount of money allocated to Wisconsin determined?**

A: The amount of "hard dollars" allocated to each state was based on four factors:

1. the share of loans serviced in the state (given 40% weight);
2. the share of foreclosures in the state (given 20% weight);
3. the share of seriously (meaning 90+ days) delinquent loans in the state (given 20% weight); and

4. the share of loans with negative equity in the state (20% weight).

The other allocated dollars (for refinancing benefits, credits available for borrower principal reductions and other credits and restitution) are estimated figures. The actual benefit that will be realized by homeowners in Wisconsin will depend on the response rate in our state.

**Q: Will there be payments to foreclosure victims?**

A: Yes. Approximately \$1.5 billion of the settlement funds will be allocated to compensation to borrowers who were foreclosed on after January 1, 2008; \$17 million of this amount is allocated to Wisconsin borrowers. These borrowers will be notified of their right to file a claim. Borrowers who were not properly offered loss mitigation or who were otherwise improperly foreclosed on will be eligible for a uniform payment, which will be approximately \$2000 per borrower depending on level of response. Borrowers who receive payments will not have to release any claims and will be free to seek additional relief in the courts. Borrowers may also be eligible for a separate restitution process administered by the federal banking regulators.

**Q: I am concerned that the banks will not be able to find me, what should I do?**

A: If you believe you are eligible for a cash payment under this settlement but are concerned you will be difficult to locate, please contact the Wisconsin Department of Justice at (800) 998-0700 or (608) 266-1852 or at [consumerprotection@doj.state.wi.us](mailto:consumerprotection@doj.state.wi.us). We will collect and your information and forward it to the appropriate person to ensure you are contacted if you are eligible. Please provide the following information on the voice message or email:

- Name(s)
- Former Address
- Current Address
- Loan Number
- Foreclosure Date
- Servicer

**Q: 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. Contact your servicer for more information, or visit [www.nationalmortgagesettlement.com](http://www.nationalmortgagesettlement.com).

**Q: Are people who continued to pay their mortgages, and were not foreclosed upon, being penalized?**

A: This settlement provides up to \$3 billion nationwide in direct benefit to homeowners who have worked hard to stay current on their mortgages, but have found themselves with negative equity and an inability to refinance. \$31.3 million of this amount is allocated to Wisconsin. As for the rest of the settlement, it is a national settlement that provides significant benefit to the entire nation and state. There were plenty of people who did their best to be responsible and still lost their homes or were otherwise harmed by the foreclosure crisis. The settlement will move the state and the nation forward toward economic recovery, which will benefit everyone.

**Q: Why hold the banks accountable?**

A: 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.

When a house is subject to foreclosure, it creates a ripple effect that lowers the value of nearby single-family 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.

**Q: 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 already acknowledged that principal reduction can be effective tool in stabilizing the housing market and have already been forgiving 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 that \$60,000 cost of 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.

**Q: Will investors in mortgage-backed securities ultimately pay for part of this settlement?**

A: Participating banks own the vast majority of the mortgage loans that this settlement is expected to affect. The settlement could affect some investor-owned loans, depending on existing agreements servicers have with those investors.

When banks weigh which mortgage loans to modify as part of this settlement, they will do so based on first analyzing the costs and the benefits of minimizing their losses. If a loan modification, including principal reduction, is projected to cost the creditor or investor less than foreclosure, the creditor will earn more on that loan.

In other words, this settlement will not force investors to incur losses. That's because any loan modification tied to this settlement will result in more of a financial return for an investor than a foreclosure would.

**Q: Will taxpayers ultimately pay for this settlement?**

A: No, the settlement is not funded by taxpayers.

**Q: Why are you releasing the banks from some claims?**

A: The release of claims relinquishes particular state and federal claims on issues addressed by the settlement. The release is narrow and is limited to mortgage servicing and origination claims. States that sign on 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 would give up all the funds designated specifically for their state and its citizens who were foreclosure victims. Homeowners of those states would also only qualify for a significantly reduced amount of loan modification 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).

**Q: Does this immunize banks from prosecution?**

A: No. There's no criminal immunity whatsoever. State attorneys general are using their civil law enforcement authority to fight for homeowners. They are not immunizing any individuals or institutions from prosecution. Criminal prosecutions are an entirely separate matter from a civil legal matter. This is a civil, not a criminal, settlement, and this settlement does not prevent state or federal prosecutions.

**Q: 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; they will be given every opportunity to first modify their loan before facing foreclosure; lenders and servicers will be required to have an appropriate number of well-trained staff members to promptly respond to the needs of distressed borrowers; and finally, borrowers will have the right to deal with a reliable, single point of contact so they have access to a person from whom to obtain information throughout the process. This is very important because, throughout the foreclosure crisis, borrowers have lodged widespread complaints about their frustrations in trying to work with their lenders. They've complained about unresponsive employees, lost documents, and conflicting information.

**Q: Why doesn't this settlement deal with the banks' conduct in securitizing loans?**

A: This case began with robo-signing and was later expanded to foreclosure conduct and other mortgage servicing abuses. These are major, complex issues in themselves. What the state attorneys general have received in return for releasing claims on these matters is huge – billions in loan modifications and other benefits for borrowers who have been harmed as well as significant new protections for homeowners.

This case has focused on getting relief for homeowners, not for hedge fund investors. Expanding the reach to securities and securitization would have slowed the case

considerably and massively increased the complexity of an already complex situation. It would have pitted the interests of homeowners against powerful investment funds, insurance companies and other private investors.

Nothing in this settlement prevents attorneys general or others from investigating, pursuing legal action, or seeking settlements related to securities.

**Q: How does this settlement affect members of the military?**

A: The Servicemembers Civil Relief Act (SCRA) provides protections for active service members, 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 service members, and not requiring service members to be delinquent to qualify for a short sale, loan modification, or other loss mitigation relief if the service member suffers financial hardship and is otherwise eligible for such loss mitigation.