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MARYLAND CONSUMER RIGHTS COALITION

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Final Progress Report Reveals Disappointing Results for National Mortgage Pact

The fifth and final progress report on the National Mortgage Settlement underscores the troubling trend earlier progress reports revealed: That few families have gotten the kind of relief under the settlement they need to stay in their homes and their communities. With several of the major banks in the settlement claiming that they've met their relief obligations, it's clear that the results of the settlement will be deeply disappointing both for housing advocates and for many thousands of families struggling to save their homes.

Housing experts agree that principal reductions and refinancing agreements that help families afford to stay in their homes are the best way to help stabilize communities and families hit hard by the foreclosure crisis. Yet the data released by the Office of the National Settlement Monitor in late August show that, in Maryland and across the country, the lion's share of the relief the banks have offered under the settlement has come in the form of short sales or of forgiving or extinguishing second liens on a property. The number and total value of these kinds of relief far exceed the total first-lien modifications or refinancing agreements the banks have completed under the settlement.

In Maryland, more than 17,366 families got some form of relief under the settlement between March 1, 2012 and June 30, 2013. But the banks completed more than three times as many second-lien extinguishments (6,833) as first-lien modifications (2,235) or refinancing agreements (2,172). The number of short sales under the settlement (3,720) is almost twice that of total principal reduction or refinancing agreements. Short sales and second-lien relief represent more than 63% of the total relief Marylanders have won under the settlement.

Table 1: Relief to Marylanders under mortgage settlement, March 1, 2012 to June 30, 2013

Type of relief	Total Beneficiaries	Total Value of Relief	Pct. Of total beneficiaries	Pct. of total value of relief
First-lien modifications	2,235	$287.1 million	12.9%	21.1%
Second-lien forgiveness/ extinguishment	6,833	$438.5 million	39.4%	32.3%
Short sales	3,720	$425.3 million	21.4%	31.3%

Completed refinancing agreements	2,172	$104.9 million	12.5%	7.7%
Total relief	17,366	$1.358 billion		

At the national level, the gap is even worse, with more than 70% of the relief to homeowners coming in the form or short sales or second-lien relief. Nationally, homeowners have won more than three times as many second-lien relief agreements (223,168) as first-lien modifications (69,123) or refinancing agreements (73,397). The number and total value of relief through short sales exceeds principal reductions or refinancing agreements by more than two-to-one.Because helping families victimized by predatory lending and mortgage servicing practices stay in their homes was a major goal of the mortgage pact, the settlement stipulates that at least 60% of the aid to borrowers striving to stay in their homes must go to reducing the principal balance of home loans for borrowers who are in default or at risk of default. The relief offered under the settlement to date does not appear to meet that standard.

The settlement also mandated that the banks implement new servicing standards designed to stop the robo-signing and other foreclosure and mortgage servicing abuses that victimized thousands of homeowners at the height of the foreclosure crisis. Here again, the results have been quite disappointing. A report issued by the Consumer Financial Protection Bureau in August as well as thousands of complaints from homeowners struggling to get the banks to consider their mortgage modification applications make clear that dual-tracking, unfair demands for documents and other servicing abuses remain quite common. New York State's Attorney General is suing Wells Fargo for violating the settlement's servicing standards and Massachusetts and other states are reported to be considering similar action.

The settlement authorized the Office of the National Settlement Monitor to fine the banks up to $1 million for each violation of the pact's servicing standards and up to $5 million for repeat violations. Although it has not issued any fines, the monitor's office announced on Oct. 2 that it will monitor four new metrics to determine if the banks are living up to their promises to improve the loan modification process. Compliance testing for those metrics will begin in 2014.

While the dollar value of the relief totals the banks have reported to the Office of the National Settlement in some categories exceeds the total relief projected under the settlement, it is important to keep in mind that different types of relief earn different levels of credit under the national mortgage settlement. Short sales, for instance, earn less than dollar-for-dollar credit. So it remains unclear whether the big banks have met the $20 billion total for relief to homeowners that the settlement stipulates.