

# MORTGAGE SETTLEMENT ACTIVITY REVIEW

## 1. Introduction

Arizona Attorney General Tom Horne announced a series of contract awards from the national mortgage settlement funds to support programs that will assist struggling borrowers throughout Arizona. Five million dollars was awarded to sixteen housing counseling agencies.<sup>1</sup> Four million was awarded to the Arizona Foundation for Legal Services and Education to provide legal services statewide.<sup>2</sup> The Arizona Attorney General's Office (AGO) also awarded a contract to Neighborhood Housing Services of Phoenix to administer the \$20 million AZ Mortgage Relief Fund, which will provide loans to borrowers struggling to stay in their homes. These contract awards represent the latest steps in Attorney General Horne's continuing efforts to address the ongoing impact on Arizona homeowners of the housing and mortgage crises.

## 2. Background of Mortgage Settlements

On February 9, 2012, Attorney General Horne announced a \$25 billion settlement with the nation's five largest mortgage loan servicers<sup>3</sup> to resolve allegations of unlawful mortgage loan servicing and foreclosure practices. The National Mortgage Settlement, which involved 48 other states and the federal government, was approved by the court in April, 2012. Last February, Horne also announced a separate settlement with Bank of America for \$10 million resolving Arizona's independent lawsuit against the bank.

The national mortgage settlement and the Bank of America settlement together provide more than \$57 million for the Attorney General to distribute for mortgage and foreclosure relief programs. In September, 2012, Attorney General Horne announced how these funds would be distributed. In April, 2013, House Bill 2154 became law, confirming the Attorney General's authority to distribute mortgage settlement funds in accordance with the court approved settlements. The contract awards described above are the first major programs funded by these settlements. In addition, the AGO has retained A.B. Data, Ltd. to administer a restitution program for Arizona consumers who filed complaints with the AGO concerning certain foreclosure rescue and principal reduction companies and for eligible Bank of America consumers whose written complaints supported the successful resolution of the lawsuit. The AGO has also issued a request for competitive grant proposals to operate a Relocation Assistance program to assist eligible families directly impacted by foreclosure and at risk for homelessness, as well as a request for proposals for a Fund Administrator to oversee these programs. Additional programs are in development. All of these mortgage settlement funded programs are designed to benefit eligible consumers throughout the State, even if their loans are not serviced by one of the five banks involved in the national mortgage settlement.

## 3. Benefits to Arizona Consumers from the National Mortgage Settlement

Since the mortgage settlements were announced last year, Attorney General Horne has worked with other states to implement and enforce the terms of the national settlement. Arizona is one of 15 states serving on the Monitoring Committee. Together with the court appointed Monitor, Joseph Smith Jr., the Monitoring Committee ensures the banks follow the new mortgage servicing standards required under the agreement and provide the promised relief to borrowers. The Committee's work continues, but there are measurable accomplishments achieved as a result of the settlement so far:

- a. The banks have reported almost **\$1.9 billion in consumer relief** provided to Arizonans as a result of the national mortgage settlement, according to the Monitor's May, 2013 report. This is the gross dollar amount of

---

<sup>1</sup> The housing counseling agencies receiving awards are: Administration of Resources and Choices (ARC), Bothands, Inc., Catholic Community Services dba Pio Decimo Center, Chicanos Por La Causa, Community Action Human Resources (CAHRA), Family Housing Resources, Inc. (FHR), Greater Phoenix Urban League, Housing America Corp. (HAC), Labors Community Service Agency, Neighborhood Housing Services of Phoenix (NHS Phoenix), Newtown Community Development Corp., Nogales Community Development Corp., Northern Arizona Council of Governments (NACOG), Old Pueblo Community Services, Take Charge America and Western Arizona Council of Governments (WACOG).

<sup>2</sup> The Foundation is subcontracting with Community Legal Services, DNA People's Legal Services and Southern Arizona Legal Aid.

<sup>3</sup> The 5 servicers participating in this settlement are Ally/GMAC, Bank of America, Citibank, JP Morgan Chase and Wells Fargo.

## MORTGAGE SETTLEMENT ACTIVITY REVIEW

relief reported by the banks, but has not yet been confirmed (except as to Ally Bank). The total \$1.9 billion of reported consumer relief for Arizona borrowers includes:

• <b>Total Arizona relief to support home ownership</b>	<b>\$959.9 million</b>
• Completed first lien principal reduction	\$181 million
• Completed forgiveness/ forbearance	\$43.7 million
• Estimated consumer relief of refinances completed	\$108.7 million
• Active trial loan modifications in progress	\$223.3 million
• Completed second lien modifications	\$403.1 million
• Short sales/Deeds in Lieu completed	\$1.08 billion

b. The banks were required to implement the new servicing standards as of October, 2012. As part of the Monitoring Committee, Arizona helped design the specific protocols that the banks and the outside monitor will use to determine compliance with the servicing standards and consumer relief provisions of the settlement.

c. Payments to foreclosed borrowers are expected in the summer of 2013. These payments are for borrowers whose loans were serviced by one of the five banks and who lost their home to foreclosure from January 1, 2008 through December 31, 2011 Arizona borrowers are expected to receive an approximate total of \$96.5 million in cash payments. While the final distribution amount is still unconfirmed, it is believed that individual borrowers will likely receive approximately \$1,480 each. Arizona helped oversee the payment distribution process.

### 4. Assisting Arizona Borrowers with Mortgage Settlement Questions

In addition to resolving written consumer complaints, Attorney General Horne established a dedicated phone line and e-mail address that went "live" the day the mortgage settlements were announced on February 9, 2012 to answer borrower inquiries. Since February 2012, operators of the dedicated mortgage phone line (602-542-1797) answered **4,000** consumer **phone calls** regarding the National Mortgage Settlement, OCC Independent Foreclosure Review, mortgage fraud and other mortgage related inquiries. The Arizona Attorney General's Office answered more than **2,560 emails** through the [MortgageFraud@azag.gov](mailto:MortgageFraud@azag.gov) e-mail account. In the first six months most calls were regarding eligibility for foreclosed borrower payments under the national mortgage settlement. AGO staff filled out **1,608 AG Office Contact Sheets** used to collect borrowers information prior to the selection of the National Mortgage Settlement Administrator. Information for foreclosed borrowers was later forwarded to the Settlement Administrator.

Most of the initial callers were referred to their servicers for loan modifications and refinance options. After the Settlement Administrator contacted borrowers in the second half of 2012 regarding the claims process for receiving payments to foreclosed borrowers, most of the inquiries concerned claims and eligibility questions. The AG's Office referred many consumers to the Administrator and forwarded any claim forms received to the Settlement Administrator. Hundreds of consumers who shared their stories during the calls were referred to the Consumer Information and Complaints Unit to open a complaint for further investigation into the servicing standards of the banks. Other referrals were made to the Arizona Foreclosure Prevention line for those who need housing counseling assistance, OCC Independent Foreclosure Review, HUD, Bar Lawyer Referral Services, Community Legal Services and Southern Arizona Legal Aid. The AG's Office handled walk-ins and provided bi-lingual support in person, on the phone and through e-mail for the Spanish speaking population.

### 5. Mortgage Related Outreach

Staff from the Arizona Attorney General's Office addressed many groups to provide information about mortgage fraud matters, including information about the mortgage settlements, and about the mission of the Attorney General's Office as a whole. Some examples include:

- Arizona Association of Mortgage Professionals

## MORTGAGE SETTLEMENT ACTIVITY REVIEW

- Arizona Real Estate School
- Arizona Foreclosure Prevention Task Force
- "Homeowners' Rights Under the National Mortgage Settlement" conference, sponsored by Arizona State University

In addition, on October 18, 2012, the AG's Office facilitated a meeting between Monitor Joe Smith, Jr. and representatives of several housing counseling organizations. At the meeting, housing counselors and AGO staff shared information with the Monitor about mortgage loan servicing trends impacting Arizona borrowers.

The Attorney General's Office also educates consumers about mortgage fraud through its website ([www.azag.gov](http://www.azag.gov)) and through written materials regarding mortgage fraud topics. The Arizona Foreclosure Information Workbook, created in partnership with the Arizona Foreclosure Prevention Task Force, is available in hard copy and through the [www.azag.gov](http://www.azag.gov) website. The AGO has also created brochures addressing Foreclosure Scams, Top Consumer Scams, and Fair Housing issues. Written materials are available in both English and Spanish.

In fiscal year 2012, the Attorney General's Community Outreach and Education Division participated in over **538 presentations** on a variety of topics including consumer issues, mortgage fraud and foreclosure scams. The Division addressed escrow companies, real estate lawyers, housing counselors and lenders. The Outreach Division had over **27,000 in person contacts** and traveled to all **15 counties** of Arizona. The AGO Outreach Division also handled over **3,300 constituent calls** and distributed over **36,000 pieces of literature** to aid consumers. Additionally, the Community Outreach hosted **56 information booths, 8 Shred-a-Thons**. The Community Outreach Division responds to constituent inquiries at various community events and refers consumers to the Consumer Information and Complaints Unit or the dedicated mortgage settlement line as appropriate.

### 6. Implementing the Settlement Agreement with Bank of America

As a result of the Bank of America settlement, the AG's Office began meeting with Bank of America representatives in June, 2012 to develop new strategies designed to reach and engage borrowers eligible for assistance under the national mortgage settlement and/or the Hardest Hit Fund administered by the Arizona Department of Housing. A unique Arizona Attorney General/Bank of America co-branded multi-level pilot program was developed. Over a 10 day period, customers received multiple communications including automated phone messages, AG branded mailing, follow-up emails, and live follow-up phone calls. The call-to-action was designed to encourage eligible borrowers to take advantage of help and resources that might reduce their monthly payment, provide significant principal reduction and help avoid foreclosure. The program launched in September 2012 with several waves of solicitations over several months and was completed in February 2013. Bank of America reports that of 720 packages mailed with an initial response rate of 16 percent, and the number is growing. The bank is still continuing to receive contacts from the homeowners who received the communications. Between customers who have completed all trial payments and those currently approved for a trial payment plan, the potential total of relief provided to Arizona borrowers as a result of this initiative is **\$7,893,000**.

A companion initiative to increase the "take rate" under the Hardest Hit Fund (HHF) program will launch in June, 2013 with the Arizona Department of Housing. Although the Hardest Hit Fund program offers various options for mortgage relief, few Bank of America borrowers have benefited from it. The settlement agreement negotiated by Attorney General Horne is changing that. As a result of the agreement, Bank of America has engaged a third party unaffiliated nonprofit housing counseling agency to work directly with borrowers. Bank of America will be sending a co-branded mailing with the Arizona Department of Housing to more than **15,000 Arizona borrowers**. The AG's Office will continue to monitor and measure the results of these initiatives.