Mortgage Agreement FAQ

Q: How will I know whether this agreement affects my situation?
A: 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. For loan modifications and refinance options, borrowers may be contacted directly by one of the five participating mortgage servicers. For payments to foreclosure victims, a settlement administrator designated by the attorneys general will send claim forms to eligible persons. Even if you are not contacted, 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.

This settlement involves the nation's five largest mortgage servicers: Ally, 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
www.freddiemac.com/avoidforeclosure

Q: Will this settlement protect consumers in the future?
A: Yes. 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 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.

Q: Will taxpayers ultimately pay for this settlement?
A: No, the settlement is not funded by taxpayers.

Q: Why force banks to forgive large portions of peoples' loans?
A: Federal authorities resolved the need for principal reduction on some homeowner loans. For an explanation, see information at this link:

http://portal.hud.gov/hudportal/HUD?src=/topics/avoiding_foreclosure

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.

The settlement requires the banks to change their broken system of servicing loans into one that is functional.

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. Federal agencies and state attorneys general can enforce compliance if there are violations.

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

The company that you make your monthly payment to is your mortgage servicer. 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.

Q: Why did you come to an agreement instead of fighting the banks in court?
A: Litigation takes time and carries substantial risks. As legal cases drag on, homeowners in need of relief are left to watch and wait for an uncertain outcome.

The outcomes of litigation 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. In addition, 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: 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.

Q: Will this settlement fix the entire mortgage industry breakdown?
A: No, this mortgage servicing settlement 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.

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.

For more information on the proposed agreement:

www.NationalForeclosureSettlement.com

www.HUD.gov
www.DOJ.gov
Ally/GMAC or 800-766-4622
Bank of America or 877-488-7814
Citigroup or 866-272-4749
JPMorgan Chase or 866-372-6901
Wells Fargo or 800-288-3212