

October 9, 2012

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, N.W.
Washington, DC 20552

Re: *Docket No. CFPB-2012-0034; RIN 3170-AA14; and Docket No. CFPB-2012-0033; RIN 3170-AA14*

We write on behalf of the undersigned organizations to urge substantial amendments to the mortgage servicing rules proposed by the Consumer Financial Protection Bureau (CFPB).

We commend the CFPB for the work that has gone into this proposal, for recognizing the need for strong and uniform national servicing rules, and for steps to increase servicer responsiveness to borrowers. As the Bureau points out, the mortgage servicing industry has long been plagued by bad practices and sloppy record-keeping; practices which have stood in the way of loan modifications which would have benefited homeowners, investors, neighborhoods and the whole economy, and which have led to preventable foreclosures with a profound negative impact on struggling families, and on communities across the country, particularly communities of color. In our view the “robo-signing” scandals – and many other unlawful and abusive practices experienced by homeowners and cited in the state and federal national mortgage settlement reached with the five largest loan servicers, and in reviews by everyone who has examined the process – all point to the overwhelming need for standards and safeguards to protect homeowners and the integrity of our nation’s housing market.

However, while there are useful advances in some areas of the CFPB’s proposal, unfortunately the current proposal does not take the steps that are needed – particularly in the crucial areas of dual tracking and of mandating effective loss mitigation - in order to bring fairness and certainty to the servicing process and to halt the tragedy of unnecessary foreclosures. Millions of families have already lost their homes to unnecessary foreclosures, millions more are looking to the CFPB to make the changes necessary to stop this nightmare. The CFPB has the authority and responsibility to secure adequate standards that will cover the range of market participants, make the needed changes, last beyond individual time-limited programs, and be effectively enforceable. It must exercise this authority, and in doing so must also ensure that the rights of tenants are protected, and that servicers do not violate the nation’s fair lending laws.

The foreclosure crisis and the servicing industry failures are doing serious, sustained harm to families, communities, and the economy as a whole. The industry has repeatedly failed to

change its practices despite contractual agreements to do so, incentives, government and private investigations finding widespread abuse, a consent decree with selected federal regulators and more. We need clear rules, mandating substantive changes in approach, and that are clearly enforceable. We therefore strongly urge the CFPB to significantly expand upon your original proposal in these areas, and to build on and close the gaps in the progress which has recently been made, including in the Federal Attorneys General settlement and state standards like the California Homeowners Bill of Rights. Inadequate, conflicted and abusive servicing practices must not continue to massively erode the wealth and well being of families and communities, and weigh down the economic recovery of the entire nation. Loss mitigation and loan modification must be clearly required.

Unfortunately, as written, the proposal not only fails to take the necessary steps forward, it also moves backward in some crucial areas. For example, the 'dual track' rules in the proposal, including allowing servicers to require borrowers to submit completed loan applications as much as 90 days in advance of a foreclosure sale to receive protections, are weaker than those in the national mortgage settlement and other national and state standards and will only make it easier for foreclosures to proceed even when families have the resources and the will to keep paying on a modified loan. Servicers should also be clearly required to consider a loan modification before initiating the foreclosure process. Additionally, the Bureau has removed a homeowner's right to challenge general servicer errors, including not providing a means for a homeowner to seek redress when a homeowner has been improperly denied a loan modification.

The need for improved servicing standards is urgent. However, if it is impossible to produce more effective comprehensive servicing standards on the schedule dictated by those portions of this rulemaking with a timeline specifically mandated by Dodd Frank, and /or within the framework of the proposed rule we urge you to 1) complete those portions of the rule that are mandated with the strongest possible standards and 2) withdraw and re-issue the loss mitigation portions of the rule if they cannot be made effective within the current timeframe, rather than proceed with inadequate and in some cases potentially harmful steps. We thank you for your attention to our views, and for your concern for homeowners, and we are happy to discuss these matters in further detail.

Sincerely,

Alliance for a Just Society

Alliance of Californians for Community Empowerment (ACCE)

Americans for Financial Reform

Brennan Center for Justice

California Reinvestment Coalition

Colorado Progressive Coalition

Communities United for Action (Ohio)

Community Organizations in Action

ESOP: Empowering and Strengthening Ohio's People

Grass Roots Organizing (Missouri)

Home Defenders League

Idaho Citizen Action

Idaho Community Action Network

IIRON (Illinois/Indiana)

Illinois People's Action

Iowa Citizens for Community Improvement (Iowa)

Main Street Alliance

Maine People's Alliance

Maine People's Resource Center

Maryland Consumer Rights Coalition

Metanoia Centers (Illinois)

National Association of Consumer Advocates

National Community Reinvestment Coalition

National Consumer Law Center (on behalf of its low income clients)

National Fair Housing Alliance

National People's Action

NEDAP

New Bottom Line

Northside P.O.W.E.R. (Illinois)

Oregon Action

PICO National Network

Progressive Leadership Alliance of Nevada

PUSH Buffalo

Right to the City Alliance

Sunflower Community Action

The Leadership Conference on Civil and Human Rights

U.S. PIRG

Washington Community Action Network

Working in Neighborhoods (Ohio)

