

# Independent Foreclosure Review (IFR) Process: What You Need to Know

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*Organized by the Federal Reserve Board of Governors*

The **Connecting Communities**<sup>®</sup> audio conference series is a Federal Reserve System initiative intended to provide timely information on emerging and important community and economic development topics with a national audience. The audio conference series complements existing Federal Reserve Community Development outreach initiatives that are conducted through our regional Reserve Bank offices and at the Federal Reserve Board of Governors in Washington, D.C.

# Welcome

Thank you to everyone for joining this session.

For today:

- This call is being recorded.
- An archived recording of this session will be available on the **Connecting Communities**<sup>®</sup> web site shortly after the session has taken place:  
[www.stlouisfed.org/connectingcommunities/](http://www.stlouisfed.org/connectingcommunities/)
- We will be taking questions via email during this session. Please direct your questions to [communities@stls.frb.org](mailto:communities@stls.frb.org). These questions may be part of the recorded archive for this session.
- In connection with this session, several of our Reserve Bank offices have posted links to a variety of additional resources on this topic. We encourage you to browse through this list and to contact your regional office if you would like additional information on any of these items.

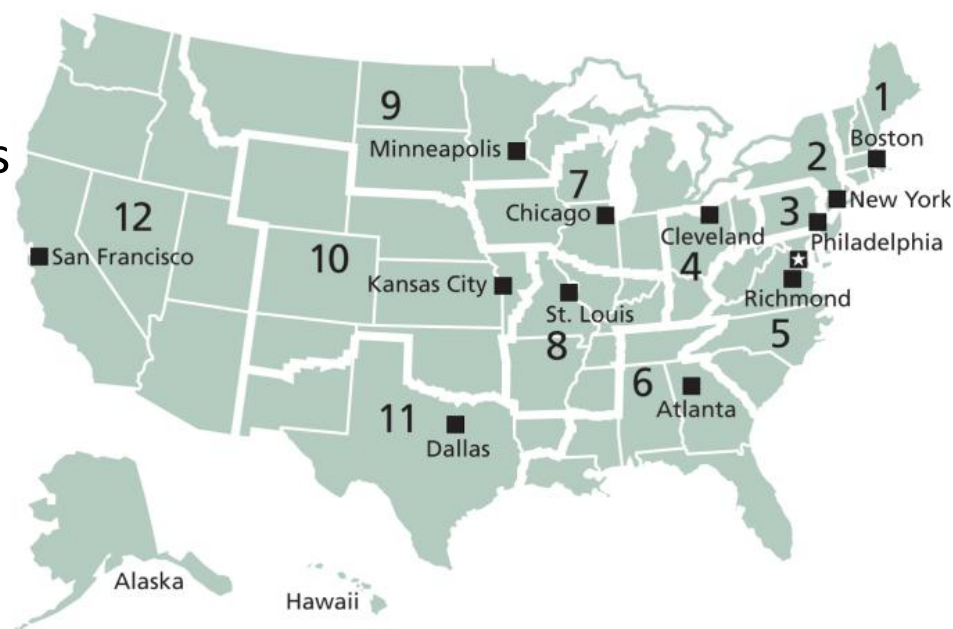
# Legal Notices and Disclaimer

The information, analyses, and conclusions set forth are those of the presenters and do not necessarily indicate concurrence by the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, or members of their staffs.

# Community Development

Community development programs at the Federal Reserve Board and the 12 Federal Reserve Banks support economic growth by promoting community development and fair access to credit.

Community development offices at the Board and Reserve Banks engage in a wide variety of activities to help financial institutions, community-based organizations, government entities, and the public understand and address financial services issues that affect low- and moderate-income people and geographic regions.



# Community Development (continued)

- Each office responds to local needs in its district and establishes its own programs to:
  - Foster depository institutions' active engagement in providing credit and other banking services to their entire communities, particularly traditionally underserved markets
  - Encourage mutually beneficial cooperation among community organizations, government agencies, financial institutions, and other community development practitioners
  - Develop greater public awareness of the benefits and risks of financial products and of the rights and responsibilities that derive from community investment and fair lending regulations
  - Promote among policy makers, community leaders, and private-sector decision makers a better understanding of the practices, processes, and resources that result in successful community development programs

# Today's Presenters



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# Today's Agenda

- Provide background and overview information about the IFR
- Describe the process
- Answer common questions

# Background

- Federal bank regulators found a pattern of misconduct and negligence related to deficient practices in residential mortgage servicing and foreclosure processing in exams conducted in the fourth quarter of 2010.
- The OCC, Federal Reserve Board, Federal Deposit Insurance Corporation, and the Office of Thrift Supervision issued enforcement orders against several large federally regulated mortgage companies in April 2011.
- Orders require servicers to correct deficient mortgage servicing and foreclosure processes, to identify borrowers harmed by foreclosure errors, and to provide compensation or other remedy for that harm.
- Orders require independent consultants to review mortgage files that were in the process of foreclosure in 2009 and 2010.



# What Is the IFR?

- The IFR is the process required by the orders to identify borrowers financially harmed by foreclosure errors and to provide compensation for that harm.
- Objectives:
  - Identify borrowers who were financially harmed as a result of servicer errors, misrepresentations, or other deficiencies.
  - Provide compensation or other remedy for that harm.

# How Are Files Selected for Review?

- Files are identified for review in two ways:
  - Selected by independent consultants from the mortgage companies' portfolios
  - Submitted by eligible borrowers at <http://independentforeclosurereview.com> or by completing and returning a request form by mail or online
- Forms were sent to eligible borrowers and are available by request at 1-888-952-9105.
- The deadline for requesting a review is December 31, 2012.

# Who Is Eligible?

- Foreclosure involved the borrower's primary residence.
- Foreclosure was in process at any time in 2009 or 2010.
- Serviced by one of these mortgage companies:
  - America's Servicing Company
  - Aurora Loan Services
  - BAC Home Loans Servicing
  - Bank of America
  - Beneficial
  - Chase
  - Citibank
  - CitiFinancial
  - CitiMortgage
  - Countrywide
  - EMC
  - EverBank/EverHome Mortgage Company
  - Financial Freedom
  - GMAC Mortgage
  - HFC
  - HSBC
  - IndyMac Mortgage Services
  - MetLife Bank
  - National City Mortgage
  - PNC Mortgage
  - Sovereign Bank
  - SunTrust Mortgage
  - U.S. Bank
  - Wachovia Mortgage
  - Washington Mutual (WaMu)
  - Wells Fargo Bank, N.A.
  - Wilshire Credit Corporation

# About the Reviews

- Reviews are:
  - *Free*. There is no cost to request a review.
  - *Fair*. Independent third-party consultants are conducting the reviews under the oversight of the federal banking regulators.
  - *Thorough*. Independent third-party consultants review all documents in great detail.
- Borrowers give up nothing by requesting a review or accepting compensation through this program.
- Information is not used to collect deficiency judgments.
- No waivers or releases are required from borrowers who accept an offer of remediation under the process.

# Who Is Involved?

## Borrowers

- Request review of file by December 31, 2012

## Independent consultants

- Review files and determine whether the borrower suffered any financial harm as a result of foreclosure errors
- Recommend remediation

## Review administrators (Rust Consulting)

- Manage intake for borrower requests for review
- Conduct mailings to eligible borrowers at various points
- Operate toll-free number and Web site

## Mortgage servicers

- Provide records and develop remediation plans

## Regulators

- Oversee the process and approve remediation plans

# Request for Review Process

1. The borrower submits a request for review online or by mail.
  - The request for review form has specific questions and allows borrowers the opportunity to describe their experience.
2. An acknowledgement letter is sent within one week of receipt.
3. An independent consultant (IC) evaluates the file.
4. If the IC identifies harm, the IC recommends remediation based on guidance provided by regulators.

# Request for Review Process (continued)

5. The servicer develops and submits the remediation plan to regulators for approval.
6. Regulators review and approve the remediation plan.
7. A letter is sent informing the borrower whether the IC found financial harm or no harm. If there is harm, the letter will be followed within seven days by a remediation package providing specific information about cash and noncash remedy and any borrower options.

# Examples of Errors That May Result in Financial Injury

- Foreclosing in violation of the Servicemembers Civil Relief Act or federal bankruptcy laws
- Foreclosing on a borrower who was not in default
- Failing to convert a qualified borrower to a permanent modification after borrower completed a written trial plan
- Foreclosing before expiration of a written payment plan, while borrower was performing all requirements of the written plan



# Examples of Errors That May Result in Financial Injury (continued)

- Denying a loan modification that should have been approved
- Charging a higher interest rate than should have been charged under the relevant loan modification program
- Failing to provide legally required notification during the foreclosure process
- Committing other errors that did not result in foreclosure, but directly caused other financial injury (such as charging improper fees)

# What Remediation Is Available?

- Remediation may include:
  - Suspending or rescinding a wrongful foreclosure
  - Reimbursing improper fees plus interest
  - Providing a loan modification
  - Correcting credit reports and other errors
  - Providing lump-sum payments for specific harm
- Lump sum payments can range from small amounts to \$125,000 plus equity in the most severe cases.
  - Potential tax liability for borrowers
- More information is available at:
  - <https://independentforeclosurereview.com/Remediation.aspx>

# Additional Information on the Process

- Not all foreclosures involved errors.
- Not all errors resulted in financial injury.
- IFR decision is final; there is no process for appeal.
- Borrowers give up nothing by requesting a review.
- Borrowers will not be required to waive rights to taking future action by accepting compensation through this process.
- Requesting a review will not interfere with ongoing loan modification efforts.

# Additional Information on the Process (continued)

- Requesting a review will not automatically prevent foreclosure sale.
  - Regulators issued guidance to ensure borrowers facing imminent foreclosure sale receive a pre-foreclosure sale review or a review by an independent consultant prior to the foreclosure sale.
- Eligible borrowers facing imminent foreclosure should:
  - Submit a request for review promptly.
  - Continue working with the servicer, U.S. Department of Housing and Urban Development (HUD) counselors, and attorneys to prevent a foreclosure sale.
- Personal information provided will only be used for purposes relating to IFR.
- **Reminder:** the deadline is December 31, 2012.

# Beware of Scams

- Remember, requesting a review through this program is free.
- Borrowers do not need to pay to submit a request for review.
- Borrowers should beware of promises of better results.
- Free help with the form and other counseling related to homeownership is available through HUD-approved counselors at 888-995-HOPE (4673) or [makinghomeaffordable.gov/get-started/housingexpert.gov](https://makinghomeaffordable.gov/get-started/housingexpert.gov).
- The official IFR website is [www.IndependentForeclosureReview.com](http://www.IndependentForeclosureReview.com).

# Where Can I Get More Information?

- **Official IFR website**  
[www.IndependentForeclosureReview.com](http://www.IndependentForeclosureReview.com)
- **OCC**  
[www.occ.gov/independentforeclosurereview](http://www.occ.gov/independentforeclosurereview)
- **Federal Reserve**  
[www.federalreserve.gov/consumerinfo/independent-foreclosure-review.htm](http://www.federalreserve.gov/consumerinfo/independent-foreclosure-review.htm)
- **1-888-952-9105**
  - Monday through Friday, 8 am - 10 pm ET or Saturday, 8 am - 5 pm ET
- A national media campaign will be starting in early November.
  - Check the [www.IndependentForeclosureReview.com](http://www.IndependentForeclosureReview.com) website for materials.

# Additional Information for Housing Counselors

- The IFR process webinar training for housing counselors from earlier this year goes through the request for review form in detail and provides tips for housing counselors assisting borrowers to complete the form.

<http://www.federalreserve.gov/consumerinfo/housing-counselors-webinar.htm>

# Spread the Word

- Send an email to your members/affiliates telling them about IFR and the extended deadline through December 31, 2012.
- Include a story about IFR in your next newsletter.
- Post a link to the IFR website on your webpage.
- Share this presentation with potentially eligible borrowers.
- Connect with the Community Development departments at 12 Federal Reserve Banks.  
<https://www.stlouisfed.org/bsr/connectingcommunities/index.cfm?proc=about&act=fedcomdev&type=htm#contacts>



Do you have questions?

E-mail us at:

[communities@stls.frb.org](mailto:communities@stls.frb.org)

[communities@stls.frb.org](mailto:communities@stls.frb.org)

# Wrap-up/Closing

Thank you to today's presenters and to all participants for joining this session.

## Next steps:

- All session materials are available on our web site and in the next few days we will be posting an audio file of today's session.
- Additional Federal Reserve System resources related to this topic can be found on our web site along with links to your local Federal Reserve Community Development office.
- If you have topical suggestions for future sessions, or any questions about this program, please feel free to contact us at [communities@stls.frb.org](mailto:communities@stls.frb.org).
- Information about future sessions will be posted on our website along with archived materials from past sessions: [www.stlouisfed.org/connectingcommunities/](http://www.stlouisfed.org/connectingcommunities/).