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## Statement From A.G. Schneiderman Regarding The National Mortgage Settlement Monitor's Finding That Wells Fargo Failed To Comply With Timeline Servicing Standards

NEW YORK – National Mortgage Settlement Monitor Joseph A. Smith, Jr. today released a progress report evaluating the compliance of Ally Financial/GMAC, Bank of America, Citi, JP Morgan Chase and Wells Fargo with the mortgage Servicing Standards mandated by the National Mortgage Settlement. The Monitor made findings against several of the servicers, including finding that Wells Fargo failed to comply with the Servicing Standard governing the timeline for notifying borrowers of deficiencies in applications for mortgage modifications.

In May, Attorney General Eric T. Schneiderman announced plans to pursue enforcement actions against Wells Fargo and Bank of America for violating several Servicing Standards governing timelines for processing loan modification applications. Today's finding by the Monitor affirms Attorney General Schneiderman's assertion that Wells Fargo is failing to live up to its obligations under the Settlement. The Monitor was unable to assess Bank of America's compliance with the timeline Servicing Standards because the bank failed to enact them in time for the Monitor's review. But the Monitor did report that Bank of America has disclosed failing at least one of the standards Attorney General Schneiderman has complained of. A progress report on Bank of America will be forthcoming in the Monitor's next report.

The following statement may be attributed to **Attorney General Schneiderman** regarding the Monitor's finding that Wells Fargo has failed to comply with the Servicing Standards of the National Mortgage Settlement:

"Today's report by the National Mortgage Settlement Monitor affirms that the pattern of violations by Wells Fargo that my office documented in New York is harming homeowners nationwide. Recent reports from Bank of America whistleblowers that the bank actually encouraged improper delays of modification applications are also deeply disturbing, and reinforce our concern that these banks are flouting their legal obligations under the settlement. These flagrant violations put homeowners in New York and across the nation at greater risk of foreclosure. I intend to use every tool available to my office to hold these banks accountable under the terms of the National Mortgage Settlement."

Last year, Attorney General Schneiderman joined 48 states, the Department of Justice and the five largest mortgage servicers in negotiating the Settlement. The Agreement includes \$25 billion for 49 states and mandated forms of consumer relief, such as mortgage modifications for at-risk homeowners, which could include lower-interest rates, forbearance agreements, and principal reductions. Attorney General Schneiderman committed \$60 million from New York's share of the settlement to launch the Homeowner Protection Program (HOPP), an ongoing initiative to fund housing counseling and legal services for struggling homeowners throughout New York State.

The Settlement also includes 304 Servicing Standards that participating servicers are required to adhere to, and which are intended to smooth the process for homeowners to seek loan modifications. The Servicing Standards were incorporated into the National Mortgage Settlement to address long standing complaints from consumers and advocates that servicers subject to the Settlement— Ally Financial/GMAC, JP Morgan Chase, Citibank, Bank of America and Wells Fargo—persistently failed to provide fair and timely services to their customers. Among these Standards are five that dictate the timeline for banks to process loan modification applications and to make loan modifications permanent. Attorney General Schneiderman's office has documented hundreds of

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violations of those standards by Wells Fargo and Bank of America since October 2012.

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The Settlement Agreement provides that any party to the Settlement may bring an enforcement action in U.S. District Court for the District of Columbia following a 21-day notice to the Monitoring Committee. During the 21-day notification period, the Committee may choose to pursue enforcement using the Committee's own authority under the Settlement, or they may defer action. If the Committee declines to take action then the complaining party may pursue the legal claim on their own after a 21-day waiting period.

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Following Attorney General Schneiderman's announcement, several other states provided the Monitoring Committee with evidence of similar recurring violations by the servicers. In light of this mounting evidence, on May 23, Attorney General Schneiderman provided the Monitoring Committee and the Monitor with a revised and updated packet of complaints, as well as additional materials to aid the committee in assessing the violations. The packet included written complaints against Bank of America and Wells Fargo, and a significant amount of back up documentation demonstrating the severity of the violations.

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Violations of the timeline standards increase the likelihood that distressed homeowners will lose their homes because the longer mortgage modifications are delayed, the deeper homeowners fall in to arrears. Additional fees, penalties and interest accrue during periods of delay, making a modification more difficult and pushing homeowners closer to the brink of foreclosure.

The violations received by the Office of the Attorney General allege that Wells Fargo and Bank of America violated five Servicing Standards relating to the timeline for processing mortgage modifications and the conversion of trial loan modifications to permanent ones. Specifically:

1. Servicer must provide borrower with written acknowledgement of receipt of loan modification application documents within 3 business days of receipt.
2. Servicer must notify borrower of all missing documents or deficiencies in application materials within 5 business days of receipt of documents from the borrower.
3. Servicer must give borrower 30 days to submit missing documentation or correct a deficiency.
4. Servicer must make a decision on a complete loan modification application within 30 days.
5. Servicer must promptly convert a borrower to a permanent loan modification once the borrower has satisfied the requirements of his or her trial period plan and executed a permanent loan modification agreement.

By mid-November of last year, the Attorney General's Office received numerous complaints from HOPP housing counselors and legal services attorneys from across New York State alleging that Bank of America and Wells Fargo repeatedly failed to respond to homeowners seeking loan modifications within the timeline dictated by the Servicing Standards. By the end of April, Attorney General Schneiderman's office had collected complaints citing hundreds of violations by Wells Fargo and Bank of America.

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