

[Banking and Finance Law Daily Wrap Up, CONSUMER FINANCIAL PROTECTION BUREAU—CFPB cautions mortgage servicers on foreclosure mitigation preparedness, \(Apr. 2, 2021\)](#)

Banking and Finance Law Daily Wrap Up

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In a bulletin, the Bureau urged mortgage servicers to dedicate sufficient resources and staff to reduce avoidable foreclosures and foreclosure-related costs through clear communication with borrowers, effective management of borrower requests, and promotion of loss mitigation.

The Consumer Financial Protection Bureau [announced](#) it has issued a Compliance Bulletin and Policy Guidance on Supervision and Enforcement priorities regarding housing insecurity in light of heightened risks to consumers needing loss mitigation assistance in the coming months as the COVID-19 foreclosure moratoriums and forbearances end ([Bulletin 2021-02](#)). The Bureau urged servicers to have sufficient resources and staff on hand to ensure clear communication with borrowers, effective management of borrower requests for assistance, and the mitigation of loss so that avoidable foreclosures and foreclosure-related costs are ultimately reduced. The Bureau further stated that "it intends to consider a servicer's overall effectiveness at achieving such goals, along with other relevant factors, in using its discretion to address violations of Federal consumer financial law in supervisory and enforcement matters." In addition, while recognizing that some homeowners will be unable to resume making mortgage payments and that some foreclosures will be unavoidable, the Bureau said it "will hold mortgage servicers accountable for complying with Regulation X with the aim of ensuring that homeowners have the opportunity to be evaluated for loss mitigation prior to the initiation of foreclosure."

CARES Act forbearance expiration. The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided borrowers with federally-backed mortgages with access to mortgage foreclosure forbearance, and, the Bureau noted, private lenders also provided similar assistance. According to the Bureau, industry data estimates that nearly 1.7 million borrowers will exit forbearance programs in September and the following months and that many borrowers will be a year or more behind on their mortgage payments. "Beginning with the expiration of the federal foreclosure moratoriums at the end of June 2021, mortgage servicers will need ramped-up capacity to reach out and respond to the large number of homeowners likely to need loss mitigation assistance," the Bureau said. "To meet this surge, servicers will need to plan now."

CFPB focus. The Bureau emphasized that it's focus is on preventing avoidable foreclosures. In that regard, the Bureau intends to pay particular attention to how well servicers are:

- being proactive;
- working with borrowers;
- addressing language access;
- fairly evaluating borrowers' income;
- promptly handling inquiries; and
- preventing avoidable foreclosures.

Evaluating servicer activity. The Bureau adds that if it finds servicers are demonstrating effectiveness in assisting consumers in accordance with the bulletin directives, it will continue to evaluate servicer activity consistent with the Joint Statement on Supervisory and Enforcement Practices Regarding the Mortgage Servicing Rules in Response to the COVID-19 Emergency and the CARES Act issued on April 3, 2020, which provides flexibility on certain timing requirements in Regulation X (see [Banking and Finance Law Daily](#), April 6, 2020).

RegulatoryActivity: CFPB Covid19 Loans FinancialStability Mortgages