

Idaho's Share of Foreclosure Settlement

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Idaho Borrowers to Net Nearly \$100 Million Benefit from Settlement with 5 Largest Mortgage Servicers

(Boise) - Attorney General Lawrence Wasden today joined a \$25 billion state-federal settlement with the nation's five largest mortgage servicers. The settlement resolves state and federal claims relating to mortgage origination, servicing, and foreclosure practices of Bank of America, Citi, J.P. Morgan Chase, Ally, and Wells Fargo. Collectively, these companies service approximately half of the U.S. mortgage loan market.

The settlement preserves the ability of governments to pursue civil or criminal legal remedies on other issues related to the financial and housing crises. It also preserves the rights of individual borrowers and investors to pursue individual, institutional or class action cases against the banks.

The agreement provides an estimated \$99,857,551 in direct relief to Idaho homeowners whose mortgages are owned and serviced by any of the five settling banks and to individuals whose mortgages were serviced by one of the settling banks and who lost their homes in foreclosures. It also creates loan servicing standards that the settling banks must follow.

Idaho's estimated share of the settlement is \$113,789,551. From that total:

- Eligible Idaho borrowers will receive an estimated \$74,686,493 in benefits from loan modifications and other direct relief.
- Approximately 5,000 Idaho borrowers who lost their home to foreclosure between January 1, 2008, and December 31, 2011, because of substandard servicing practices, will receive \$9,998,041 in cash payments averaging \$1500 to \$2,000 for each affected borrower. These borrowers have been identified by their servicers and will be contacted by the settlement administrator.

- The settling servicers will pay \$15,172,779 to fund a program that allows underwater borrowers to refinance their loans.
- The state will receive \$13,932,238.

“The settlement holds the participating banks accountable for their unacceptable mortgage servicing and foreclosure practices and provides relief to homeowners,” Attorney General Lawrence Wasden said. “Backed by a federal court order, the settlement will aid homeowners with enforceable changes to how their loans are serviced.”

The settlement is the result of an 18-month multistate law enforcement investigation of the participating banks’ servicing practices. The investigation began in response to allegations that the banks were filing fraudulent documents with the courts in judicial foreclosure cases. A judicial foreclosure is one that is conducted under the supervision of a court. While Idaho allows for judicial foreclosures, it is not widely used here. In Idaho, foreclosure is most often done by “advertisement and sale.” In such foreclosures, the lender does not file documents in court. Instead, the lender or servicer notifies the borrower of the default and the lender’s decision to sell the property at a trustee’s sale.

The investigation expanded beyond issues of so-called document “robo-signing” and focused also on allegations that the banks may have:

- failed to timely and accurately apply borrowers’ loan payments;
- charged excessive or improper fees for default-related services;
- failed to properly oversee third-parties involved in the banks’ servicing activities;
- imposed high-cost hazard insurance on borrowers without properly notifying them;
- provided false or misleading information in response to borrowers’ complaints; and
- failed to maintain appropriate staffing, training and quality control systems.

The settlement provides for comprehensive new servicing and foreclosure protections for borrowers, including:

- an end to robo-signing;
- timely and accurate application of borrowers’ payments;

- proper oversight of third-parties (e.g., attorneys, trustee companies, etc.) that participate in servicing or foreclosure activities;
- adequate staffing and systems to track loan modification documents;
- notice of delinquency to the borrower 14 days before the loan is referred to foreclosure;
- notice to the borrower of all loss mitigation options before the loan is referred to foreclosure;
- restrictions on simultaneous loan modification reviews and foreclosure actions (i.e., dual-track);
- a single point of contact for each borrower who contacts the bank about a loan modification;
- a decision on loan modification applications within 30 days of receipt;
- enhanced protections for individuals serving in the military;
- an independent internal review of all loan modification denials;
- development of a short sale process that allows borrowers to obtain a short sale evaluation before putting the home on the market; and
- proper documentation of the banks' authority to foreclose.

"The agreement does not prevent homeowners or investors from pursuing individual, institutional or class action civil cases against the five banks, nor does it prevent state attorneys general and federal agencies from pursuing other aspects of the mortgage crisis, including securities cases," Wasden said. "Further, the settlement does not grant the banks immunity from criminal prosecution." Wasden noted that a federal task force formed last month will investigate those responsible for misconduct contributing to the financial crisis through the pooling and sale of residential mortgage-backed securities.

The final agreement will be filed in U.S. District Court in Washington, D.C., and, following approval of the court, will have the authority of a court order.

Because of the complexity of the mortgage market and this agreement, which will span a three-year period, in some cases participating mortgage servicers will contact borrowers directly regarding loan modification options. However, Idahoans with loans serviced by the five participating banks should contact the bank directly to obtain more information about specific loan modification programs and requirements. The national settlement administrator may also contact borrowers regarding certain aspects of the settlement.

Information about this settlement and other mortgage-related subjects will be available on the [Attorney General's website](#).

In addition, a website dedicated to this settlement has been created at www.NationalForeclosureSettlement.com.

Last updated on August 23, 2016.

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